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HIGHLIGHTS

Regional Development of Southern Jalisco

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CONTENTS OF THE VOLUME

- i. Copyright Notice
- ii. Editorial Board Members
- iii. Chief Author and Dean
- iv. Table of Contents
- v. From the Chief Editor's Desk
- vi. Research and Review Papers
1. The 2008 Global Financial Crisis and Its Implications in Tanzania: A Focus on Official Development Assistance (Oda). *1-9*
2. Financial Development and Economic Growth in Cematic Countries. *11-24*
3. A Normative Model For Sustainable Cultural and Heritage Tourism in Regional Development of Southern Jalisco. *25-38*
4. Corporate Governance, Roles, and Future Directions: New Venture Creation of Autonomous and Dependent Entrepreneurial Scientists. *39-52*
5. The Study of Impediments to Successful Exploitation of Some Industrial Units in Ardabil Industrial Town. *53-62*
6. E-Banking Based Facilities to the Modern Living an Empirical Study in Punjab. *63-74*
7. Consumer Perceptions about Fast Food Restaurants in Asaba. *75-81*
8. Employee Turnover and Retention Strategies: An Empirical Study of Public Sector Organizations of Pakistan.. *83-89*
9. Job Satisfaction of Private Sector Bank's Executives in Bangladesh: A Factor Analysis. *91-98*
10. Entrepreneurship Has Emerged As the Economic Engine and Social Development throughout the World. *99-107*
11. IT Effectiveness in Employment Screening. *109-113*
12. Impact of Human Resource Allocation and Utilization on the Academic Performance of Students in Ondo State Secondary Schools. *115-121*
- vii. Auxiliary Memberships
- viii. Process of Submission of Research Paper
- ix. Preferred Author Guidelines
- x. Index



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The 2008 Global Financial Crisis and Its Implications in Tanzania: A Focus on Official Development Assistance (Oda)

By Prospe Ngowi

Abstract - This paper is on the 2008 global financial crisis and its implications in Tanzania with a focus on Official Development Assistance (ODA). The author gives an overview of the meaning, nature, causes, impacts and possible solutions for the crisis in Tanzania in general. Informed mainly by a review of literature and experts and practitioners opinion, it is found by the author that the crisis officially started to manifest itself in September 2008 in the financial markets in the United States of America (USA). Since then it has spread not only to financial but also to the real economy to many parts of the world especially in Europe and Asia where the first round effects are rapidly being experienced. In Africa, the second round effects (bounce-on effects) are increasingly being experienced. The many direct and indirect, long term and short term impacts are emanating from the global economic recession that is unfolding as a result of the crisis. There have been several strategies to deal with the crisis at macro-and micro-level in various countries. These include but are not limited to various bailout plans and stimulus packages for various economies in general and specific sectors and industries in particular.

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The 2008 Global Financial Crisis and Its Implications in Tanzania: A Focus on Official Development Assistance (Oda)

Prospe Ngowi

Abstract - This paper is on the 2008 global financial crisis and its implications in Tanzania with a focus on Official Development Assistance (ODA). The author gives an overview of the meaning, nature, causes, impacts and possible solutions for the crisis in Tanzania in general. Informed mainly by a review of literature and experts and practitioners opinion, it is found by the author that the crisis officially started to manifest itself in September 2008 in the financial markets in the United States of America (USA). Since then it has spread not only to financial but also to the real economy to many parts of the world especially in Europe and Asia where the first round effects are rapidly being experienced. In Africa, the second round effects (bounce-on effects) are increasingly being experienced. The many direct and indirect, long term and short term impacts are emanating from the global economic recession that is unfolding as a result of the crisis. There have been several strategies to deal with the crisis at macro- and micro-level in various countries. These include but are not limited to various bailout plans and stimulus packages for various economies in general and specific sectors and industries in particular.

Tanzania – as is the case with many other developing countries – seems to be suffering from the second round effects of the crisis. The impacts in Tanzania so far include but are not limited to potential and actual reduced economic growth, reduced foreign currency earning as a result of reduced exports, reduced tourism, reduced remittances and reduced Official Development Assistance (ODA). All of these impacts above are likely to have many, far-reaching and profound negative implications on employment in Tanzania. Some of the implications are direct while others are indirect – both in the short- and in the long-run. Among the policy implications based on the discussions in the paper include the need to be proactive instead of being reactive in addressing the crisis. Among other things, there is a need to be vigilant as the crisis keeps on unfolding. Expansionary fiscal and monetary policies and cooperation with the global community at large and ILO in particular in the context of fighting employment effects of the crisis are important. These are but the minimum requirements in properly addressing the crisis.

I. INTRODUCTION

The 2008 global financial crisis started officially in the United States of America (USA) in September 2008 or so. It is generally manifested in the form of inadequate liquidity as a result of credit crunch in the financial markets. As a result, a recession is looming across the globe in form of a general, rapid and high decline in economic activities. The activities include production, distribution and consumption of goods and

services. This form of economic turmoil was last experienced at global level during the Great Depression of the 1930s.

The crisis is increasingly resulting into inter alia, uncertain and hard social and economic times for countries across the globe. Whereas the developed countries started suffering from the first round and direct effects of the crisis, the developing ones are likely to suffer more from the second and indirect effects of the crisis. Countries with relatively weak and externally dependent financial structures like Tanzania, are struggling to recover from the shocks caused by hiking and highly volatile global and local food and fuel prices. The current financial crisis therefore is likely to fuel incidences of poverty and vulnerability in the poor countries in general and Tanzania in particular.

According to Mtango (2008), the effects of the global financial crisis have forced Tanzania to reduce its growth forecast to from 7.8% to 7.5%. Tanzania Investment Centre (TIC) has reported that FDI flow into the country will be less than \$675million instead of the \$750 predicted earlier in 2008. This is a reduction of 10%.

According to The Guardian (Sunday, January 4th, 2009: 1 – 2), revenues in various sectors have been reported to be highly affected by the crisis. These include a decline of exports by 44% in the cotton industry; a decline by 30% in tourism; a decline by 32% in the coffee industry; a decline by 50% in the Nile Perch industry and 22% in food prices. Taking into account the inter-sectoral linkages and multiplier effects, the negative impacts reported above will have many, many far-reaching and profound negative implications to many other sector, people and institutions involved in them directly and indirectly.

Among other things, the impacts of the crisis will have many far-reaching and profound implications in many spheres of life including social, political and economic ones. In the economic sphere among the implication of the crisis include reduced aggregate demand of goods and services both at the local and global (export) markets. The reduced aggregate demand will result into reduced production which will necessitate reduced employment and remuneration (compensation) of factor inputs including labour.

Owners of factors of production in general and labour in particular are likely to be poorer as a result of the crisis. Another likely economic impact of the crisis is reduced Official Development Assistance (ODA) as the sources of revenue for the same from the donor countries will be reduced. Also, donors may be compelled to give less or nothing to recipient countries as the latter are obliged to address the crisis in their own countries first and may not have surplus to give in form of ODA.

The current crisis is still in its infancy stage of development. It is still taking shape and there are many unfolding issues, realities and lessons. Yet, there are many unknown issues and realities of the crisis. Among these unknown variable in the crisis include its impacts in employment, among others areas. This work focuses on the current global financial crisis and its implications on employment in Tanzania. The author gives an overview of the meaning, nature, causes, impacts and possible solutions for the crisis in general and in the context of employment in Tanzania in particular. The work is supposed to stimulate debates and take discussions and learning on the crisis into higher and newer levels.

II. METHODOLOGY

This work is mainly informed by the review and discussion of the existing and emerging literature on the crisis. It is also informed by opinions of some experts and practitioners on the ground. The literature however, is limited given the relative infancy of the current crisis globally as well as in Tanzania. It is still a relatively new research area and very few known scientific works have been done on the crisis. Most of the literature used therefore is grey. The work is also informed by a limited consultation with a few but key informants in the context of this work.

III. AN OVERVIEW OF THE 2008 GLOBAL FINANCIAL CRISIS

In this section, an over of the current global financial crisis is presented. The overview covers inter alia, the meaning, nature, causes, impacts and possible solutions for the crisis in general.

a) *Meaning, Nature and Causes of the Crisis*

The 2008 global financial crisis is also termed the credit crunch, economic turmoil, economic downswings, global downturn, and financial meltdown. The crisis is termed 'the current' to distinguish it from a similar crisis that was experienced in the 1930s that resulted into the Great Depression. The crisis is manifesting itself in form of severe credit, banking, currency, and trade crisis which emerged in September 2008. Some background financial market events dating from July 2007 however, show that the credit crisis is the result of sub-prime mortgage crisis. It is believed

however that there are a number of economic problems during the late 2000s that formed the basis of the current crisis.

Akbar (2008) correctly argues that the current global financial crisis is an ongoing major financial crisis. The crisis became prominently visible in September 2008 with the failure, merger or conservatorship of several large United States-based financial firms including Goldman Sachs, Morgan Stanley, J.P. Morgan, Bank of America, Merrill Lynch, Citigroup, Wells Fargo, Bank of New York Mellon and State Street.

The underlying causes leading to the crisis had been reported for many months before September 2008, with commentary about the financial stability of leading U.S. and European investment banks, insurance firms and mortgage banks consequent to the sub-prime mortgage crisis. See Akbar (ibid), Evans-Pritchard (2007), The Economist (15th May and 22nd May, 2008). The failures of large financial institutions in the United States rapidly evolved into a global crisis resulting in a number of European bank failures and declines in various stock indexes, and large reductions in the market value of stock (Norris: 2008) and commodities worldwide (Evans-Pritchard, ibid). The collapse of Lehman Brothers in September 2008 when it filed for bankruptcy was a symbol of the global financial crisis. Broadly, it is seen that lack of adequate regulation (laissez-faire) of the financial markets by the appropriate authorities in the US is the major explanation behind this crisis.

b) *General Impacts of the crisis*

The crisis is having many and far-reaching direct and indirect and short-term and long-term impacts across the globe. So far however, given the source and nature of crisis it is the developed countries that have been more affected than the developing ones. However, the impacts of the crisis are continuously unfolding.

The actual extent of impacts of the crisis will depend on a number of issues. The issues include but are not limited to the degree to which a particular country is integrated into the dynamics of global investment flows, expanded trade, information technology and vibrant financial security arrangements. It will also depend on the extent to which a country is marginalized from the dynamic processes above. The kinds of policies that will be put in place by individual governments independently and in collaboration with the global community to solve and mitigate the impacts of the global economic downturn will determine inter alia, the severity and length of the crisis.

Generally, the crisis has led to a liquidity problem and the de-leveraging of financial institutions especially in the United States and Europe, which further

accelerated the liquidity crisis. It is causing fears and declining sentiments in the market. It is ongoing and continues to change, evolving at the close of October 2008 into a currency crisis with investors transferring vast capital resources into stronger currencies such as the yen, the dollar and the Swiss franc. This in turn is leading many emergent economies to seek aid from the International Monetary Fund. (Landler: 2008) and Fackler (2008).

Most developing countries including Tanzania, are dependent on commodities for import or export. The impacts of the crisis in these countries are likely to be profound and far-reaching. Commodity-dependent economies are exposed to considerable external shocks stemming from price booms and busts in international commodity markets. UNCTAD (2008) reports that uncertainty and instability in international financial, currency and commodity markets, coupled with doubts about the direction of monetary policy in some major developed countries, are contributing to a gloomy outlook for the world economy and could present considerable risks for the developing world.

Among other things, Tanzania depends on the production and (for domestic and export markets) consumption (from domestic and foreign sources) of such commodities as agricultural, mineral and fuel commodities. Tanzania therefore stands to be affected by the crisis through its dependency on commodities production, export, imports and consumption.

Raja (2008) argues that market liberalization and privatization in the commodity sector have not resulted in greater stability of international commodity prices. There is widespread dissatisfaction with the outcomes of unregulated financial and commodity markets, which fail to transmit reliable price signals for commodity producers. In recent years, the global economic policy environment seems to have become more favorable to fresh thinking about the need for multilateral actions against the negative impacts of large commodity price fluctuations on development and macroeconomic stability in the world economy.

Other general impacts of the crisis include reduced aggregate demand of goods and services across the globe. This is due to limited liquidity and related problems such as all-times low consumer sentiments that are emanating from the crisis. The reduced aggregate demand in turn is leading to reduced production of goods and services with the necessary result of reducing demand for and employment of factors of production including labour. The implications of reduced employment of factor inputs include reduced incomes to the factors and their owners in general and reduced standard of living and possibility of vulnerability to poverty for labour in particular. In some countries, migrant workers, (foreign labour) are likely to suffer more by being the first to be laid-off. This will have many and far-reaching implications on the

countries and individuals dependent on transfers from migrant workers in form of remittances.

Some specific impacts of the crisis that have been observed and recorded so far include a loss of over 2,500,000 jobs in the US in 2008 where unemployment has reached the 7.2% mark and may move to double digits. The current unemployment figure is the highest in the past 15 years. Other observed tendencies in the US include situations where the unemployed are giving up in looking for jobs as the chances to get one are slim. Other impacts of the crisis include dismal sales in stores; downsizing firms and declining financial markets and stocks.

c) *The Impacts of the crisis in Africa*

It has been wrongly argued and expected that Africa's generally weak integration with the rest of the global economy may mean that many African countries including Tanzania, will not be affected by the crisis, at least not initially. The unfolding situation in Africa shows that the continent is already being affected by the crisis.

In the long run, it can be expected that foreign investment in Africa will be reduced as the credit squeeze takes hold. Furthermore, foreign aid and its effectiveness, which are important for a number of African countries including Tanzania are likely to diminish. Partly this is likely to be attributed to the fact that some donor countries and development partners for a number of African countries are affected by the crisis. The domestic sources of the aid funds in the donor countries (mainly tax payers' money) may no longer be as available as hitherto. In the event that the funds will be available the donor may be obliged to use the same to address the impacts of the crisis in their countries or group of countries. European Union (EU) donor countries for example may have as a priority to bail out their own economies first, fellow EU countries second and developing poor countries as the third priority. Among other things, the eight Millennium Development Goals (MDGs) are likely to be negatively affected and not be attained partly as a result of the crisis.

In recent years, there has been more interest in Africa from Asian countries such as China and India. As the financial crisis is hitting the Western nations the hardest, Africa may yet enjoy increased trade with Asia for a while.

African countries could face increasing pressure for debt repayment, however. As the crisis gets deeper and the international institutions and western banks that have lent money to Africa need to shore up their reserves more, one way could be to demand debt repayment. This could cause further cuts in social services such as health and education, which have already been reduced in Africa due to crises and policies from previous eras. Any aggressive demands of debt repayment will make the situation in most African countries all the more worrisome.

The impacts of the crisis on the other continents that Africa deals with, will affect the continent indirectly. For example, African countries that trade with Latin America are likely to be highly affected. This is because much of Latin America depends on trade with the United States (which absorbs half of its exports). As such Latin America will also feel the effect of the US financial crisis and slower growth in Latin America is expected. This will affect the African countries that trade with Latin America. Similar effects will be experienced by countries that trade with Asia. Growth in China for example is not likely to be in the double digit region. This will affect African countries transacting with this hitherto double-digit growing economy.

Generally however, the African continent, its countries and people in them will be negatively affected by the crisis through a number of mechanisms. These mechanisms include reduced export of goods and services including reduced tourism inflows. This will lead to reduced foreign currency scarcity and depreciation of local currencies. The Balance of Payment (BoP) account deficits will increase and countries' foreign reserves will decline. Inter alia, this will lead to a reduced capacity to support imports by these countries.

As a result of reduced exports of goods and services there will be reduced domestic production of the same. This will necessarily lead to reduced employment and remuneration and compensation of such factors of production like labour, land, capital and entrepreneurship. As a result the owners of such factor inputs – especially unskilled, informal, geographically and occupationally immobile labour (especially women and those relatively old) - will be at the verge of being immersed into poverty.

Other general mechanisms through which the African countries in general and Tanzania in particular will be affected by the crisis include reduced remittances from migrant workers and other sons and daughters in the Diaspora; reduction in ODA; reduction in investments inflows in general and Foreign Direct Investments (FDIs) and portfolio investments in particular; reduced possible sources of borrowing and possibilities of been obliged to repay external debts and/or lack of or reduced debt cancellations by creditor countries and institutions. These countries may also be negatively impacted by the crisis through **higher interest rates and a withdrawal of equity and lending from the private sector**.

Other possible impacts of the crisis are essentially none-economic but will have economic implications. These include social and political challenges including protests and clashes; social problems such as marriage crunch and divorces as a result of real and/or potential unemployment; decisions on having or not having children that will affect demographic structures and have social economic

impacts in the short and long run including more unemployment in children and related industries. However, unemployment can lead to more children as a result of couples having more time at home that can increase the possibility of more sexual intercourses that may result into more pregnancies and children. This in turn can be good for the economy in general in the long run and for children-driven economic activities in the short run.

d) General impacts of the crisis in Tanzania

Due to the crisis the social, economic and possibly political situation in Tanzania – as is likely to be the case in many countries - will be more austere than ever before. This is because the impacts of the global financial crisis will be felt more deeply.

It is to be understood that the full effects of the global financial crisis may take time to be felt in a country like Tanzania. Tanzania, as other developing countries, is likely to suffer more from the second round-effects of the crisis (developed countries started to suffer from the first round effects). The negative impacts are likely to be felt in various direct and indirect ways. Whereas some of the effects will be short-term, others will be long term in nature. These impacts include but are not limited to reduced employment, reduced foreign exchange earnings, reduced Foreign Direct Investment (FDI) inflows and reduced economic growth among others. These impacts have been discussed at length in Ngowi (2010). This paper focuses on the impacts of the 2008 crisis on Official Development Assistance (ODA).

IV. IMPACTS OF THE CRISIS ON OFFICIAL DEVELOPMENT ASSISTANCE (ODA)

The Organisation for Economic Cooperation and Development (OECD) – Development Assistance Committee generally defines ODA as those flows to eligible ODA recipients or multilateral institutions that are administered with the promotion of the economic development and welfare of developing countries as its main objective.

Generally, ODA or foreign aid, consists of loans, grants, technical assistance and other forms of cooperation extended by governments to developing countries. A significant proportion of official development assistance is aimed at promoting sustainable development in poorer countries, particularly through natural resource conservation, environmental protection and population programs.

The Human Development Report (HDR) 2007/2008 gives a list of OECD-Development Assistance Committee (DAC) countries that are makes some expenditure on ODA. These include Norway, Australia, Canada, Ireland, Sweden, Switzerland, Japan, Netherlands, France, Finland, United States, Spain,

Denmark, Austria, United Kingdom, Belgium, Luxembourg, New Zealand, Italy, Germany, Greece and Portugal

Some non-DAC countries and areas also provide ODA. According to OECD-DAC net ODA disbursed in 2005 by Taiwan Province of China, Czech Republic, Hungary, Iceland, Israel, Republic of Korea, Kuwait, Poland, Saudi Arabia, Slovakia, Turkey, United Arab Emirates and other small donors, including Estonia, Latvia, Lithuania and Slovenia totaled US\$3,231 million. China also provides aid but does not disclose the amount. All of the countries listed above have been affected differently by the crisis. Therefore, there is a possibility of declining ODA because the source countries have been affected by the crisis.

Ringer (2008), making reference to the Organization for Economic Cooperation and Development (OECD) reports that global ODA from all donors for 2007 was \$117.576 billion. The European Union (EU) and its 27 member states are by far the largest ODA providers, supplying half the global amount. Because of a downward trend, their ODA fell to 46.1 billion Euros (\$59.4 billion) or 0.38 percent of Gross National Income (GNI) in 2007, down from 47.7 billion Euros (\$61.4 billion), or 0.41 percent of GNI, in 2006.

Ikome (2008) correctly points out that ODA is a useful tool for the reduction of poverty and increasing prospects for achieving sustainable development. Over the years, African governments have relied on foreign aid to provide services to their people.

Tanzania is among the countries that depend heavily on ODA for its development in general and budget in particular. Tanzania's national budget has been approximately donor funded through bilateral and multilateral ODA to the tunes of 40%.

The crisis is likely to lead to reduced ODA flows to the country. As a result of the crisis, some donor countries and development partners may reduce or even stop their financial contributions to developing countries including Tanzania. This is because they may be forced to concentrate in rescuing their own economies first through various strategies including bail out plans and economic stimuli packages. This implies less ODA for a country like Tanzania.

The reduced ODA will affect this aid-dependent country severely and deepen the negative impacts of the crisis. If the promised ODA will not be forthcoming in the remaining part of the 2008/09 financial year it means that a number of recurrent and development expenditure will go unfunded with a number of consequent negative implications.

a) Impacts of the Crisis on ODA

"We are deeply concerned about the prospects for ODA, ...in past periods of market turmoil and recession, global ODA has on some occasions fallen up

to 40 percent from established trends¹". Brett House, UN Development Programme (UNDP) senior economist.

"The concern that we hold is that not only the EU states but also the broader donor community become very inward-looking, in the sense of their home policy, to an extent understandably, because they now have to deal with the economic impact on the ground": The European Commission (EC) Humanitarian Aid and Development, in Ringer (2008)

"The new challenge concerns ODA and whether rich countries will still meet the target of 0.7% of GDP by 2015": Ringer (2008)

The quotations above indicate the worries and concerns on the impacts of the global economic crisis on Official Development Assistance (ODA).

Deeper impacts of the crisis on ODA flows to Tanzania may be observed and experienced from the 2009/10 financial year. This is because some donors may not give pledges to in the context of both Direct Budget Support (DBS) and project funding as a result of the crisis. This will deepen the impacts of the crisis outlined above.

It is important to see the direct relationship between the economic crisis and possibilities of reduced ODA flows. ODA funds accrue from donor countries' tax payers' money. This tax is collected from various sources in the process of production of goods and services. With the crisis, we are witnessing a global recession. This is a situation of reduced level of economic activities including production and consumption of goods and services. This reduction by itself will necessarily reduce the amount of taxes that donor and other countries are going to collect. Therefore the donor countries' disposable national incomes from which some funds could be set aside as ODA will be reduced.

The other way in which ODA may be reduced is through reduced tax revenues due to possible expansionary fiscal policies that may be applied by these countries as part of the strategies to solve the crisis. Among the fiscal policy instruments that may be used include reduced tax rates and tax multiplicities. This will lead to collection of less tax revenues and availability of the same for ODA purposes.

Even the reduced disposable national income described above will partly be devoted to addressing the global financial crisis in then donor countries' economies. The amount available for ODA purposes therefore will be reduced if available at all.

¹ Ringer (2008), argues that the crisis is expected to have a severe impact on humanitarian funding, with some analysts projecting cuts in ODA of up to 30% or more.

ODA from multilateral organizations such as the World Bank and United Nations agencies may also be substantially reduced as a result of member countries' failure to contribute into these funds due to the crisis. Both bilateral and multilateral ODAs therefore are at risk. The impacts of the same for a donor dependent economy like that of Tanzania are many, far-reaching and profound.

As noted in Osakwe (2008), it may be too early to know the exact magnitude and the potential impact of the current economic crisis. However, it is clear that the crisis will have short as well as medium-term effects, which may differ in magnitude depending on how long the crisis lasts. The impacts will vary across countries depending on their production and export structure, exposure to the international financial system, as well as capacity to cushion the potential negative effects of the crisis.

The short-run effects on Sub Sahara Africa (SSA) including Tanzania will be relatively small as most countries in the region are de-linked from the international financial system. The medium-term effects will depend on four key factors (Osakwe: *ibid*). The first is the degree to which the crisis leads to a severe and protracted recession in the US and Europe, which will certainly have a negative effect on other industrial countries given the interdependence of these economies through trade and foreign investment. This will in turn have a contagious effect on African countries through a number of channels including ODA. Tanzania is not an exception in this.

In the context of ODA, the medium-term effect of the crisis will depend on what happens to ODA flows to recipient countries. If the donor countries respond to the economic slowdown by reducing ODA flows, this will deepen the potential impact of the crisis on recipient economies. This is especially so for economies in Sub Sahara Africa (SSA) because they heavily rely on ODA to finance their budgets. Reduced ODA will further reduce the fiscal space available to recipient countries to cushion the impact of the crisis.

In a Policy Dialogue organised with the EPC - Sasakawa Peace Foundation (SPF), it was argued that the current crisis, among other things, will result in cutbacks in ODA, making it more difficult for countries to meet the Millennium Development Goals (MDGs). In Ringer (2008) it is argued that it is now unlikely that the MDGs will be achieved, as OECD countries (with the exception of the Netherlands and Scandinavian countries) have failed to live up to their ODA commitments.

Traditional donors, like the United States, the Scandinavian countries, the UK and other European Union countries are among the most-hardest-hit by the crisis. According to Ikome (2008), the donor countries have become further constrained from readily releasing funds earmarked for development assistance,

particularly to Africa. Concerns are that they will become compelled to become more inward-looking, directing more resources to address domestic challenges. These donors are looking to the emerging economies of China, India and the Gulf states for liquidity. This implies that the traditional donors have liquidity problem and may therefore not be in a position to fulfill their ODA commitments or make new ones unless the crisis ends. The outcome would be shrinking ODA which would have a direct impact on the potential to achieve the Millennium Development Goals (MDGs), which are currently under funded by over \$ 50 billion.

Ringer (2008) informs that official government aid is the main funding source for most UN agencies, although less so for Non Governmental Organization (NGOs). For example, ODA accounted for more than 70 percent of the UN Children's Fund (UNICEF) budget of US\$3 billion in 2007, while Concern Worldwide received 48 percent of its 2007 budget of \$116.3 million Euros (\$150 million) from governments and co-funders, 48 percent from general donations and the private sector, and the rest in kind.

Based on past recessions however, one may argue that the current crisis may not have severe impacts in form of reduced ODA. For instance, US funding rose in both 2001 and 2002, despite the eight-month recession in 2001 linked to the dot-com bust. According to the UN Development Fund for Women (UNIFEM), the 2001 recession had no negative impacts on its ODA budgets. But one needs to understand that the current crisis cannot be compared to the 2001 in magnitude and impacts.

Ringer (*ibid*), citing the Center for Global Development (CGD) - a Washington think-tank - argues that after each previous financial crisis in a donor country since 1970, the country's aid has declined. Finland's aid fell 62% during its economic crisis in the early 1990s, while Japan's declined by 44% during its decade-long slump.

Ringer (*ibid*) citing UN Office for the Coordination of Humanitarian Affairs (OCHA), reports that no UN agency has yet reported a slowdown in contributions, and no clear idea has yet been formed on the potential impact.

b) Some Optimism for Increased ODA Despite the Crisis

Besides the relevant worries and concerns on the impacts of the crisis on ODA, there are some emerging optimism that the crisis may not have negative impacts on ODA.

According to Ringer (2008), some governments are pledging to stand by their commitments. Among these include Norway whose overall humanitarian assistance was 2.459 billion Krone (\$425 million) in 2007, with 2.588 billion (\$447 million) in 2008, and 2.445 billion (\$422 million) in 2009. The lower amount in 2009 is said to be because of a technical budgetary change.

Ringer (ibid) citing the Foreign Ministry's senior adviser for humanitarian affairs, reports that:

"The total Norwegian development aid budget, including humanitarian assistance, will in 2009 reach 1 percent of GNI for the first time. There is broad consensus in the Norwegian population and across party lines that Norway shall be a substantial and predictable humanitarian donor. Unless Parliament decides otherwise when the Government's budget comes to a vote in December, we do not foresee that cutbacks will become necessary."

Norway is one of the five countries that allocate over 0.7 per cent of its annual gross national income (GNI) to ODA, and its aim is to increase this amount to 1 per cent. In 2005 Norway's ODA amounted to about NOK 17.9 billion (approx. EUR 2.23 billion), which is approximately 0.94 per cent of GNI. In 2004, this comprised approximately 47 per cent in purely bilateral assistance, 30 per cent in purely multilateral assistance, 17.7 per cent in earmarked assistance channeled through international organisations and programmes, and 5.3 per cent on administration.

Norway gives development assistance to a large number of countries. It has selected seven main partner countries to which it provides broad-based, in-depth, long-term assistance. These countries are Malawi, Mozambique, Tanzania, Uganda and Zambia in Africa, and Bangladesh and Nepal in Asia. In 2004 development assistance to these countries was as follows (in NOK thousands)

Table 1: Norway's Main Partner Countries and Norwegian ODA Flow in 2004

Malawi	183 090 (EUR 21.7 mill)
Mozambique	411 509 (EUR 48.8 mill)
Tanzania	401 637 (EUR 47.7 mill)
Uganda	280 842 (EUR 33.3)
Zambia	251 801 (EUR 29.9 mill)
Bangladesh	161 325 (EUR 19.1 mill)
Nepal	155 169 (EUR 18.4 mill)

It can be seen from the table that Tanzania was the second largest recipient of Norwegian ODA after Mozambique.

Other countries are recipients of large amounts of Norwegian development assistance as well, not least for humanitarian reasons. In 2004, Afghanistan received approximately NOK 456.4 million, Sudan NOK 385.4 million, and the Palestinian areas NOK 362.8 million. Source : <http://www.norway.go.tz/misc/print.aspx?article={b1bc3a29-ef4e-4bac-9935-c839f5fc04c9}> In 2008, Denmark increased its contributions and reserve funding by some 7 percent over 2007. According to Denmark's Foreign Ministry humanitarian assistance "We do not expect the global economic crisis to influence humanitarian aid in the future"

The US with \$21.752 billion in ODA in 2007 is the second-largest contributor. (Ringer: ibid). Despite

the crisis and its severe impact in the US: "America is committed - and America must stay committed - to international development for reasons that remain true regardless of the ebb and flow of the markets": The then US President George W Bush, September 2008.

Despite the government change, there are reasons and optimism to expect US's increased ODA. This is because during the presidential campaign, the current president Barack Obama promised to double US annual foreign assistance from \$25 billion in 2008 to \$50 billion. It is important to note that the vice-president Joe Biden remarked in October 2008 that this commitment (of \$50 billion) would probably be slowed down due to the current crisis.

ODA from Canada however may not be forthcoming to recipient countries. In 1998, the most recent year for which the OECD had data, Canada dedicated 0.29% of its GDP to official development assistance. In comparison, Denmark and Norway devoted 0.99% and 0.91% of their GDP, respectively, to ODA. Internationally, 0.7% is seen as a threshold that all industrialized nations should surpass. Canadian Prime Ministers have promised to raise Canadian assistance to this level but the promises have never been fulfilled. The Netherlands, Norway, Denmark and Sweden are all above this threshold, and have consistently surpassed it for the past twenty years.

Since 1980, the percentage of GDP that Canada dedicates to ODA has fallen by 32.6%. Only the United States, Australia and Germany have cut official development assistance more sharply than Canada. This reality increases concerns, worries and possibilities of reduced ODA in the aftermath of the crisis. In contrast, nine OECD nations increased their percentage of GDP dedicated to ODA between 1980 and 1998. The countries include Austria, Denmark, Finland, Ireland, Italy, Luxembourg, Norway, Spain and Switzerland.

V. POLICY RESPONSES TO MITIGATE THE IMPACTS OF POSSIBLE REDUCTION IN ODA

Developed countries have a role to play in helping African countries respond to the crisis as well. They must resist the temptation to reduce ODA and instead meet their promise to double aid to Africa by 2010. More assistance will enable African countries to offset the impact of any reversal in private capital flows and reduce the likelihood of a sharp decline in spending on social sectors that would have dire consequences for poverty reduction.

The EPC – Sasakawa Peace Foundation dialogue correctly called for the EU to help to mitigate the impact of the downturn by strengthening international coordination to resist calls for a reduction in ODA. As all ODA loans and grants have strings attached and part of these funds are ploughed back to the

source, without debt relief and fairer trade terms ODA will continue to have shortcomings.

Rich countries should respond to the crisis by strengthening bilateral partnerships and programming instruments and refocusing their external policies. Financial instruments need to be better coordinated, with more coherence between donor policies. They must contribute to the reform of the International Financial Institutions, and be ready to increase resources to support lending to third countries.

Developed countries must stimulate the world economy for the benefit of the poorest, and ultimately the benefit of all. The need for renewed ODA commitments by the aid community because of instead and not in spite of the crisis cannot be over emphasized.

Challenging and difficult as it may be, the way out of the possible reduction in ODA is to avoid factoring-in donor funds in the country's budget. This will be challenging and a conflict in implementing the other needed approaches to mitigate the crisis, especially surplus budget and expansionary fiscal policies. To offset the financing gap that may be left by reduced donor funding one needs to increase the size of domestic revenue collection. This can be achieved in a number of ways including but not limited to widening the tax base and/or increasing tax rates. Widening tax base and increasing tax rates however will necessarily be constrained by the looming recession and will conflicting with the recommended and needed expansionary fiscal policy in form of reduced tax rates. The best remaining option seems to optimal revenue collection and prudent use of the same.

Although somehow late, Tanzania has an option of studying and appropriately applying the lessons from its neighbouring Kenya which has not been factoring-in donor funds in its budget for a number of years. Other necessary options to mitigate the impacts of the possible reduction in ODA include the alternative look East policy. In this strategy the country should consider looking for ODA to none-traditional donors that may not be as negatively impacted by the crisis as the traditional western donors. Among such none traditional donors include China and the rich oil exporting Arab economies.

Staying constantly alert, vigilant and involved in all new and unfolding developments and possible solutions out of the crisis at international level is very important. Among the current such developments in the context of addressing possible decline in ODA include the 15th November 2008 Washing summit of the Group of 20 (G-20). The summit **aimed at promoting dialogue between advanced and emerging countries on key issues regarding economic growth and stability of the financial system. Another similar development is the four-day November to December 2008 United Nations (UN) conference in Doha on the global responses to the**

global crisis. The UN conference planed a globally coordinated response to the financial crisis to ensure the well-being of millions worldwide, especially the poor. It also focused on ensuring sufficient financing to meet key development goals amid mounting concern about the impact of the current global economic slowdown on poor nations.

The UN meeting among other things, recognized the need for a truly global stimulus plan that meets the needs of emerging economies and developing countries. This includes protecting the poorest, and not reneging on commitments regarding ODA, which remains a crucial part of development finance for many countries. It also included ensuring resources to help countries meet the eight MDGs. The World Bank (WB) has correctly called on developed countries to boost aid to developing countries as one of strategies of global fight against the impacts of the crisis. They have been called upon to meet their previous commitments to debt relief and scaled-up aid.

The major focus of this work has been on the impacts of the 2008 economic crisis in Tanzania in general and on ODA in particular. It is concluded in this work that the crisis has been real and relevant for Tanzania. The country felt the indirect impacts of the crisis in its economy in general. In the context of ODA however, most impacts remain potential rather than real. This is mainly because the crisis began when most donors had given their commitments and started implementing the same. However, with the Euro zone crisis that poses possibilities for a double-dip recession, the impacts of the crisis on ODA are still relevant.

On whether the donors will be both able and willing to keep on giving ODA, the 2008 crisis and the Euro zone crisis that followed it notwithstanding, will be known in future Tanzania's financial years in general and in the Direct Budget Support (DBS) pledges and actual funds disbursement in particular. Most of the discussions in this paper necessarily remain at theoretical and speculative level. It is only after the donor pledges and actual funds disbursement in Tanzania that the actual and quantitative impacts of the crisis on ODA to the country can be observed, measured and documented. However, knowing the possible outcomes of the crisis on ODA and how to get prepared to cope and mitigate the same as documented in this paper is very essential.

VI. POLICY IMPLICATIONS

There are several policy implications that emanate from the discussions made in this paper. The implications include the need of the Government of Tanzania to make use of opportunities offered by ILO in addressing the employment effects of the global crisis. Of particular relevance here is the ILO's Decent Work Agenda.

Given its global leadership in the world of work, ILO is expected to help the country to mitigate the impact of the current global financial crisis in general but on employment in particular.

Both the government and ILO need to put the decent work for all agenda high in their priorities now than ever. This is because the agenda is essential in meeting the various aspirations of workers that at the same time are put at risk by the crisis.

VII. IMPLICATIONS FOR FURTHER RESEARCH

The crisis is still in its infancy stage of development. Its impacts are and will still continue to unfold as time passes. There is a need for more detailed, field-based, empirical studies on the crisis in general and on its impacts on ODA in particular as partly outlined in this work. The unfolding realities of the crisis across the globe should be documented and form a basis for comparison and sustainable solutions.

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Financial Development and Economic Growth in Cematic Countries

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Abstract - The main aim of this research work is to determine the relationship that exists between financial development and the growth rate of per capita real GDP in CEMAC countries using panel data estimation techniques. It emphasises the reciprocal impact of financial development on growth in order to determine the type of relationship that exist and make policy recommendations. To do this, we measured financial development and economic growth with the liquidity rate and the growth rate of per capita real GDP respectively. We tested these two measures in a static panel model using Ordinary Least Squares (OLS) for the first model and Feasible Generalised Least Squares (FGLS) for the second. Based on the results obtained from data on these countries for the period from 1980 to 2006, we established that financial development negatively affects economic growth and that the inverse positive relationship is not significant. These results, coupled with those of Granger causality test, allow us to show that there exists a unidirectional causality running from economic growth to financial development in CEMAC countries. We concluded by making policy recommendations in order to ameliorate this relationship.

Keywords : CEMAC, financial development, economic growth, panel data, direction of relationship.

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Financial Development and Economic Growth in CEMAC Countries

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Abstract - The main aim of this research work is to determine the relationship that exists between financial development and the growth rate of per capita real GDP in CEMAC countries using panel data estimation techniques. It emphasises the reciprocal impact of financial development on growth in order to determine the type of relationship that exist and make policy recommendations.

To do this, we measured financial development and economic growth with the liquidity rate and the growth rate of per capita real GDP respectively. We tested these two measures in a static panel model using Ordinary Least Squares (OLS) for the first model and Feasible Generalised Least Squares (FGLS) for the second. Based on the results obtained from data on these countries for the period from 1980 to 2006, we established that financial development negatively affects economic growth and that the inverse positive relationship is not significant. These results, coupled with those of Granger causality test, allow us to show that there exists a unidirectional causality running from economic growth to financial development in CEMAC countries. We concluded by making policy recommendations in order to ameliorate this relationship.

Keywords : CEMAC, financial development, economic growth, panel data, direction of relationship.

1. INTRODUCTION

The debate on the role of the financial sector in economic development has been going on for over a century now. Schumpeter (1912) explains that the financial system plays an important role in economic growth by favouring innovation through financial services. Initially, this literature was centralised on the following question: does the financial sector play a causal role in economic growth or is it simply financial intermediaries that promote the rapid industrialisation of countries? (Eschenbach, 2004). The problem of causality remains an important issue in the literature. It is as such that four schools of thought emerged:

1. those who supported the thesis of bidirectional causality (Patrick, 1966 ; Bertelemy et Varoudakis, 1994),
2. those who held that causality is unidirectional, going from financial development to economic growth (Pagano, 1993 ; Spears, 1992 ; McKinnon, 1973),
3. those who believed that causality is unidirectional

going from the real to the financial sector (Gurley et al, 1995 ; Lensink et al, 1998 ; Levine, 1997),

4. and finally those who admitted that finance had no effect on economic growth (Stiglitz, 1991 ; Akyu, 1993).

In the mid 80s, the commercial bank dominated financial system of the Central African Economic and Monetary Community better known by its French acronym (CEMAC), witnessed a situation of generalised crisis. In fact, out of forty banks that existed in the zone, nine of them ceased their activities. Of all the banks that remained in activity, only one complied with existing norms, twenty others had precarious equilibriums and the remaining ten were insolvent (BEAC, 2004). This crisis forced CEMAC2 countries to undertake the reform of their financial sectors under the prism of financial liberalisation. This liberalisation led to the growth of banking activity that should lead to the amelioration of economic and financial indicators. It is as such that the annual growth rate of the GDP of CEMAC countries moved from -2,3% in 1993 to 4,1% in 2001, Inflation from 3% to 2,2% between 2001 and 2008 (BEAC, 2009).

Also, the coefficient of liquidity (M2/GDP) changed from 20,8% in 1983 to 54,9% in 2005 according to BEAC Report (2007). The investment rate also improved from 5,2% to 6% between 2001 and 2008. Considering all these improvements, one could question the direction of the relationship that could exist between the development of the bank dominated financial system and economic growth in CEMAC countries. What is the impact of financial development on the economic growth of CEMAC countries? What is the effect of per capita real GDP growth on the development of the financial sector of CEMAC countries? This study based on CEMAC countries covers the period from 1990 to 2006. Panel data techniques are used for the estimations. The rate of liquidity is used to measure financial development meanwhile economic growth is measured by the growth rate of GDP per capita. This first section is followed by a literature review (II), which is followed by the methodology (III). Section (IV) presents the results, while

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² CEMAC is made up of six countries: Cameroon, Gabon, Chad, Equatorial Guinea, Central African Republic, and Congo.

³ <http://www.beac/conjointureprevcemac2007-2009>

section (V) concludes by giving some policy recommendations.

II. LITERATURE REVIEW

The relationship between financial development and economic growth has been the object of many empirical and theoretical studies. It has attracted much attention in the modern history of economics. In this section, we review the theories that form the base of this study (II.1), as well as the empirical investigations of certain authors (II.2).

a) Theoretical literature review

This sub-section reviews the theories of endogenous growth and financial development. Even though this theory of economic growth has evolved much over time, we are particularly interested in the new theory of endogenous growth. Furthermore, we also deemed it necessary to present the theoretical link between financial development and economic growth.

i. impact of financial development on economic growth : Pagano's "AK" theoretical model of endogenous growth.

The advent of the theory of endogenous growth in the 80s brought about a revival of interest in the link between financial development and economic growth and demonstrated that financial factors can have both level and growth effects on capital stock and productivity. As such, the works of Greenwood and Jovanovic (1990), Bencivenga and Smith (1991), Roubini and Sala-i-Martin (1992), King and Levine (1993), and Saint-Paul (1992)⁴ use the endogenous growth model to analyse the interaction of financial factors with economic growth. In fact, there are two types of endogenous growth models: in the first, policies have a permanent effect while in the second this effect is transitory. What is therefore the most appropriate model to model growth with? The model of Pagano(1993), presented below, which explains the mechanisms through which financial development promotes economic growth tries to answer this question. The endogenous growth "AK" model developed by Pagano can be reproduced as follows:

$$Y_t = AK_t \quad (1)$$

In order to capture the important effects that can exist between economic growth and financial development, he introduces an equation for gross investment I_t to obtain the following equation:

$$K_{t+1} = I_t + (1 - \alpha)K_t \quad (2)$$

Where Y_t represent the level of production, I_t is investment, K_t capital, α and A are respectively the rate

of depreciation and productivity of capital for a given period. He also supposes that a given fraction $(1-\beta)$ of total savings is lost or is not totally invested in the intermediation process (this represent intermediation cost and prudential norms such as obligatory reserves or information asymmetry). The amount of savings available is therefore:

$$I_t = \beta S_t \quad (3)$$

With $S_t = sY_t$, $0 \leq \beta \leq 1$ and s is the savings rate. Also, in case of perfect information, investors would be directly in contact with savers and the intermediation system would not exist and all savings would be invested. The growth rate in year $t+1$ is written considering equation (1) as follows:

$$g_{t+1} = \frac{(Y_{t+1} - Y_t)}{Y_t} \quad (4)$$

$$g_{t+1} = \frac{Y_{t+1}}{Y_t} - 1 \quad (5)$$

$$g_{t+1} = \frac{K_{t+1}}{K_t} - 1 \quad (6)$$

By introducing the capital equation (2) and the investment equation (3), we obtain the following stationary state growth rate (g)⁵:

$$g = A\beta s - \alpha$$

1. The proportion of national savings (β) allocated to productive investment projects; since according to Pagano, the increase of the latter might be due to lack of efficiency of the financial sector. The more efficient the financial sector, the lower the proportion $(1-\beta)$ of savings consumed.
2. The productivity of capital (A): due to information collection and the incitation of investors to invest in more risky projects because of risk sharing with intermediaries.
3. The savings rate (s): the financial system influences economic growth through the savings rate of the economy.

From the above model, financial development can positively influence economic growth through three channels: the savings rate, technological development and the share of savings allocated to the financing of the economy. Globally, the model of Pagano establishes a direct positive relationship between economic growth and financial development. This model has inspired many studies which have

⁴ see R. LEVINE Financial Development and Economic Growth, p.40-45

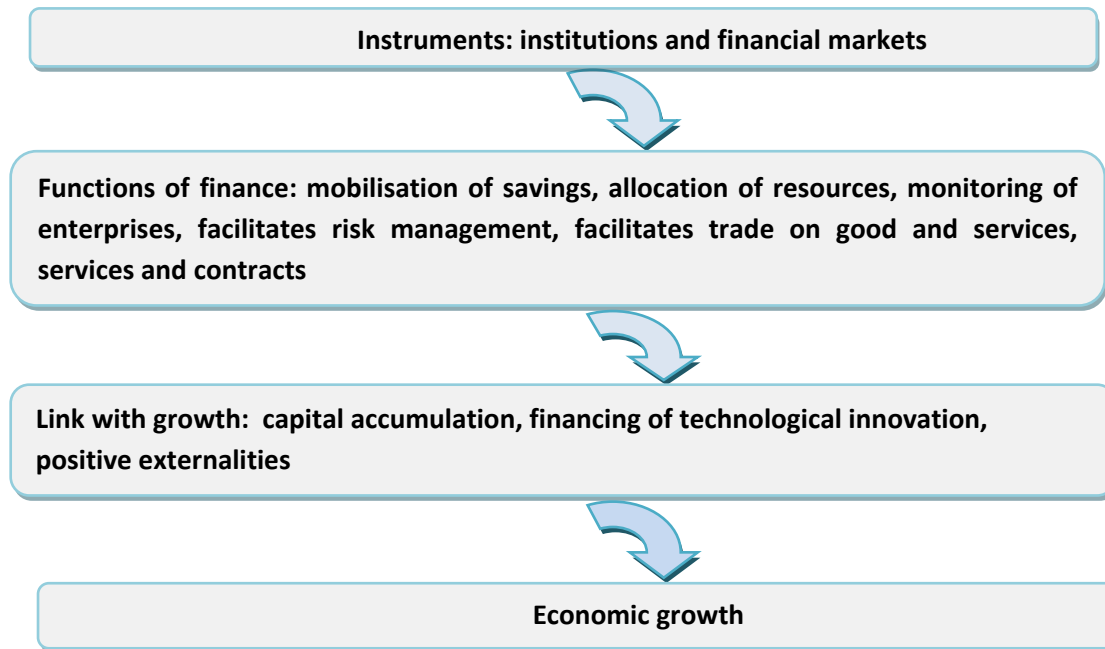
⁵ If we suppose that capital grows at the pace of investment (change in $K_t = I_t$)

established various theoretical links between financial development and economic growth.

It is as such that King and Levine (1993) show that the prime function of a financial system is to facilitate the efficient allocation of resources both in space and in time, and their putting into place in an uncertain environment. By reducing various costs, the financial system fulfils a primary function which is subdivided into five basic functions, each contributing to the development of the real sector of the economy, Levine (1997):

1. It facilitates the mobilisation of domestic savings: also called pooling, the mobilisation of savings entails the putting together of the savings of small savers for investment purposes. As a primary market, the financial market permits the raising of capital and the direct transformation of household savings into long term resources for private and public collectivities. According to King and Levine (1993a), it can be considered at both the level of enterprises and households.
2. It allows the collection of information on enterprises and an optimal allocation of resources: according to Grossman and Stiglitz (1995), financial markets represent a source of information for, and on enterprises since financial markets can seek information concerning firms. The ability in using this information will stimulate investors to seek this information and to monitor firms. This information is useful to both enterprises and investors whatever their sector of activity. Also, through information transfer, the financial market facilitates the coordination of decentralised decision making in the different sectors of the economy. In fact, out of all firms and entrepreneurs seeking for financing, financial markets and intermediaries select the most promising ones. As such, we obtain a more efficient allocation of capital and by that an acceleration of the growth process according to Greenwood and Jovanovic (1990).
3. It allows a better monitoring of managers and enterprises by equity holders: the development of the stock market can affect the control of enterprises. In fact, **Diamond** and **Verrachia** (1982), and **Gerschenkron** (1962), show that efficient financial markets help to reconcile the interests of managers to those of shareholders. Financial markets help in the transformation of productive structures. This is done either through the acquisition of assets or through take-overs. Such operations can be financed either through the issue of new financial assets, without necessarily affecting the portfolio of the enterprise. The reduction of information asymmetry facilitates external financing and a better allocation of resources according to Sharpe (1990).
4. The presence of a developed financial sector facilitates the trade of goods and services: as such, when a financial system does not increase liquidity, high return projects will have difficulties of being financed. Liquid markets allow shareholders to easily sell their shares while firms have permanent access to capital. Therefore, by facilitating transactions, financial markets reduce credit risk.
5. Finally, financial systems facilitate the protection against and the sharing of risk: except of the reduction in credit risk, the financial sector can attenuate idiosyncratic risk, that is, risk linked to individual's projects, to enterprises, industries, regions, and countries. This reduction in idiosyncratic risk is done through diversification. Concerning the diversification of risk, it could favour the accumulation of capital risk (Bencivenga et Smith, 1991). Meanwhile, according to King et Levine (1993), financial systems that facilitate diversification can accelerate technological changes and economic growth. These functions affect economic growth through the following channels: the accumulation of capital and technological innovation.

Figure 1: theoretical link between finance and growth following Levine (1997)



The financial system influences the accumulation of capital by affecting the rate of savings and the reallocation of this savings as shown in the “AK” model of Pagano. Theory therefore provides us with conceptual bases to ascertain that a large, liquid and efficient financial system favours economic growth.

ii. *The effects of economic growth on financial development: the theoretical model of Berthelemy et Varoudakis*

One of the main models linking economic growth to financial development is that of Levine (1997). This endogenous growth model, which remains an extension of the endogenous growth theory developed by Romer, modelises the link existing between financial development and economic growth and shows that there exists a feedback effect of economic growth on financial development. These two possible effects between financial development and economic growth have been grouped by Patrick, who distinguishes two different stages. In the first stage, it is financial development that leads to economic growth (supply-led) and in the second, it is economic growth that leads financial development (demand-led). The supply –led stage entails a unidirectional causality from financial development to economic growth. This means that the deliberate creation of financial institutions and markets supply financial services that facilitates real economic growth. The model of Levine (1997) and Patrick (1966) formalises as such the analyses of the supporters of the existence of bidirectional causality. As such, Berthelemy and Varoudakis, (1994) using the theory of endogenous growth develop a two sector (real and financial) model that put to evidence the interdependence between the two spheres. Their model demonstrates the existence of

multiple equilibrium of endogenous growth, associated with different levels of long term financial development of the financial sector. Each household is endowed with one unit of efficient labour (uE) that is put at the disposal of the firm or the bank ($L_F + L_B = 1$ where $L = uE$). Each firm produces a unique good, which can be used for consumption or investment, using a technology with constant returns to scale with respect to capital stock (K) and efficient units of labour

The aggregate production function is of the following form:

$$Y = F(K, L) = uE * f(K, L) \quad (8)$$

Where $F(K, L)$ is the production function in its intensive form, with F' and F'' greater than zero. The usual profit maximisation condition of the representative enterprise imposes the following conditions:

$$W = (f(1/u) - 1/u f'(1/u)) * K \quad (9)$$

$$Et R = f'(1/u) \quad (10)$$

W is the real wage rate which, under the hypothesis of perfect mobility of labour, is the same in the real and financial sector. R represents bank credit market interest rate such that $R = (1+i).r$, where i stands for the intermediation margin charged by banks and r stands for real interest rate which is equal to the marginal productivity of capital less net financial intermediation costs. Since the authors limit financial intermediation to banks, they consider a financial system with n identical banks in a situation of monopolistic competition, with the objective of collecting household savings. These banks use a technology that is modelled in a stylised manner. The amount of

investment intermediated by each bank (j) represent a fraction Φ_j of current savings. They suppose that this fraction Φ_j is positively linked to the quantity of labour employed by the bank (noted, L_j for j), therefore:

$$\Phi_j = \Phi_j(L_j), \text{ with } \Phi_j' > 0.$$

By hypothesis, the n banks are all identical, we therefore have in equilibrium: $L_j = L_B = 1-u/n$, where L_B is total labour of the banking sector.

The investment of the bank is given by:

$$I = K' = (L_B) \cdot S = (1-u/n) \cdot S \quad (11)$$

Where S_j is the amount of savings collected by the bank ($S=Y-C$)

During each period, the representative bank maximises its profit (holding constant the amount of savings collected by other banks), which has the following equation:

$$\Pi_B = (1+i) \Phi(L_B) \cdot S - L_B W - S \quad (12)$$

In this expression, we have $1+i = R/r$, with R exogenous to the bank. The profit maximisation of the bank implies the following condition:

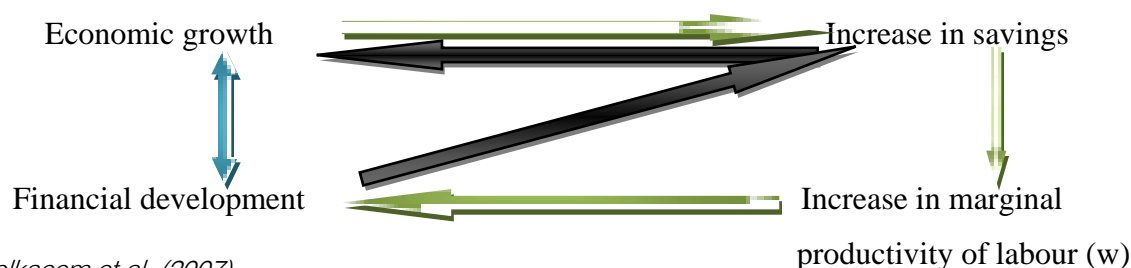
$$\partial \Pi_B / \partial L_B = 0 \quad (13)$$

Furthermore, this equality implies the equalisation of the marginal productivity of labour to real wage (common to both sectors). In equilibrium, this condition is expressed as follows:

$$w = (1+i) \Phi'(L_B) \cdot S/n \quad (14)$$

From these results, the authors conclude that the real sector exerts an important externality on the financial sector through the determination of the flow of savings S . The larger the size of the financial sector (that is the higher the amount of household savings) the higher is the productivity of labour in banks and the more developed is the financial sector. In other words, any increase in savings allows an increase, for a given level of labour L_B , in the level of investment and income received by banks. The idea is that, economic growth leads to increase in savings meanwhile the treatment costs of savings is constant. Thanks to these returns to scale, growth exerts a "natural externality" on financial development. Economic growth, through its positive effect on savings, reduces the marginal cost of intermediation, and enhances financial development. The following figure illustrates the causality link between the two phenomena.

Figure 2 : Direction of causality between financial development and economic growth



Source : Belkacem et al. (2007)

These different theories have been empirically verified in many regions and countries.

b) Empirical literature review

If some studies empirically verified the impact of financial development on economic growth, others concentrated on the inverse relationship.

i. From financial development to economic growth

Empirically, Goldsmith (1969) is one of the first economists to investigate the interrelationship between financial development and economic growth using data on 35 countries (both developed and underdeveloped) for the period 1898 to 1969. Measuring financial development with the ratio total financial asset/GDP, he shows that this ratio is positively correlated with economic growth. However, the study did not consider other factors that could influence growth. Later, the study of King and Levine (1993) based on a sample of 80 countries (developed and underdeveloped) for the period 1960-1989 showed, on the one hand, that a

bivariate analysis reveals a strong positive correlation between financial development and economic growth⁶. On the other hand, using a multivariate analysis, the results remained significant even after considering control variables that influence economic growth. Also, King and Levine (1993) used M2/GDP, the ratio of bank internal assets, the ratio of bank credit to the private sector and the ratio of credit to the private sector on total domestic credit to study the link between financial development and economic growth⁷. The results they arrived at show that there exist a close link between financial development and economic growth and that the indicators of financial development used are good predictors of economic growth. They explain their results by the existence of multiple equilibriums that induce scale effects. Spears (1992) also used these indicators in his study of the relationship between financial development and economic growth in ten countries in sub-Saharan Africa. The study, based on the granger causality test, arrives at the conclusion that there exists

a strong causality going from M2/GDP to economic growth. Berthelemy and Varoudakis (1998) on their part used panel data techniques in their study of the relationship between financial development and economic growth in 82 countries during six five-year periods starting from the early sixties to the nineties. These authors include a binary variable to differentiate periods of financial repression from those of financial liberalization.

The found a minimal influence of economic growth on the financial system during times of financial repression. The coefficient associated to this indicative variable multiplied by (M2/GDP) is negative and significant. From this, the two authors conclude that a repressed financial sector has a negative impact on economic growth. They explain this situation by the possibility of the existence of multiple equilibriums according to the level of financial development as pointed out by King and Levine. A "high equilibrium" associated with a high growth rate and a normal level of development of the financial sector and a "low equilibrium", associated with low economic growth, where the economy is unable to develop its financial sector. In between the two, there is an unstable equilibrium that defines an optimum effect of the development of the financial sector on growth. Above this optimum, the economy converges towards the equilibrium with high growth, while below this optimum; the economy is tied up in a poverty trap. From these analyses, they conclude that the impact of financial development on growth is felt only from a certain level; (M2/GDP) should be at least equal to 36.5%. Finally, Aka Brou (2008) moves from a study of 22 Sub-Saharan African countries to show that:

1. The results obtained on the direction of causality between financial development and growth are mitigated, and that in certain countries it is bidirectional, and in others unidirectional going from finance to growth.
2. The results suggest cases of inverse causality and non causality even if they are less than the latter.
3. The results indicate that the direction of causality between financial development and the productivity of factors is either unidirectional or bidirectional and that very few cases of inverse causality and non causality exists.

⁶ King and Levine(1993a) used the following four indicators: M2/GDP, (M2-M1)/GDP, credit to the private sector/total domestic credit and credit to the private sector/GDP

⁷ The two authors used three indicators of economic growth: the growth rate of per capita GDP, growth rate of the global productivity of factors, growth rate of capital per head. On each of these indicators, they ran regressions with each of the four indicators of financial development.

4. It is evidenced that in countries where financial development granger causes economic growth, it also granger causes technological progress.

5. The results are country specific and vary with the indicator of financial development used (Demetriades and Hussein, 1996)

ii. *From economic growth to financial development*

Beck et al. (2000), empirically put to evidence the importance of the level of income in financial development. According to them, countries with high income levels have more developed financial sectors than those with low income. Some of these authors hold that factors at the origin of financial and banking crises are constraints to the development of the financial sector. These factors include among others: volatility of the macroeconomic environment (shocks of terms of trade, real exchange rate, interest rate, economic growth, and inflation rate), the poor management of the financial liberalization process and the legal and institutional environment. In fact, an adverse macroeconomic environment is a serious break to financial development.

More so, a high inflation rate or high fluctuations of prices tend to increase the number of financial transactions and thus, the costs of financial intermediation. This then increases the amount of resources lost in the financial system (costs of operations) and hence a fall in the efficiency of the system. Also, it is admitted that large deficits are usually associated to the phenomenon of disintermediation. As such, cross sectional studies have put to evidence the importance of market structure on the development of the financial sector (Beck et al, 2000, Loayza et Levine, 1999). The structure of the market also has an important impact on the development of the financial sector. Likewise, the increase in the incomes of economic agents reduces intermediation costs that tend to increase with bank margins in order to promote innovation and ameliorate the efficiency of the banking sector. It is important to note that increase in revenue (growth) leads to an increase in savings meanwhile the costs of treating savings are fixed. Due to these returns to scale, growth exerts a "natural externality" on financial development. Economic growth, through its positive effects on savings, reduces the costs of intermediation and promotes economic growth. Also, legal and regulatory aspects play an important role in the supply of financial services in order to boost economic growth. Legal laws and their mechanisms of application favour efficient allocation by the market and facilitate financial operations⁸. A recent study by OCDE (2006)⁹ followed the same line of reasoning by looking at the importance of efficient financial regulation as a factor of economic progress. Even though we have many studies on financial development and economic growth, very few

concentrated on the inverse relationship between economic development and financial development and it is therefore important to study the case of CEMAC countries.

III. METHODOLOGY

a) Equations and variables used

To verify the type of relationship that exists between financial development and economic growth in CEMAC countries, the endogenous growth econometric model of Levine (1997) and De Gregorio et al. (1995) is estimated using panel data techniques. The model specification is the following:

$$G = \beta_0 + \beta_1 F(i) + \beta_2 X + \mu$$

In which we introduce the subscripts it to obtain the following form:

$$G_{it} = \beta_0 + \beta_1 F(i)_{it} + \beta_2 X_{it} + \mu_{it} \quad \text{equation 1}$$

$$F(i)_{it} = \alpha_0 + \alpha_1 G_{it} + \alpha_2 X_{it} + \epsilon_{it} \quad \text{equation 2}$$

Where, G_{it} is the endogenous variable which represents the growth rate of per capita real GDP of country i at period t . $F(i)_{it}$ stands for the exogenous financial variable for country i in the period t . X_{it} is the matrix of control variables associated to the economic growth of country i at period t . we have two econometric equations where the first measures the effect of financial development on economic growth and the second the inverse effect. The first has as endogenous variable G_{it} and the second $M2/PIB_{it}$. We should recall that these two endogenous variables would become exogenous depending on whether we are dealing with equation one or equation two. The explanatory variables are the following:

PRIV_{it}: Credits distributed to the private sector measured as the amount of credit distributed to the private sector divided by GDP of country i and period t .

M2/PIB_{it}: The liquidity rate (M2/GDP) that is measured by the level of financial development or deepening of country i during period t .

TOT_{it}: The terms of trade measured by the ratio price of exports to those of imports of country i at period t .

INF_{it}: Measures macroeconomic stability, which is represented essentially by the stability of the general price level. It is measured by the general consumption price level of country i during period t .

DETEX_{it}: External debt that is obtained by dividing external debt by GDP of country i at period t .

Inv_{ite}: The investment rate that is defined as the volume of investment divided by GDP of country i at time t .

HUM_{it}: human capital that is measured by secondary school attendance rate of country i at period t .

OPEN_{it}: The level of trade openness captured by the ratio (Exports + Imports) / GDP of country i at period t .

DOMS_{it}: Domestic credit that represents the percentage of domestic credit in GDP of country i at period t .

DEF_{it}: Public deficit which is captured by the budget balance divided by GDP of country i at period t .

G_{it}: The growth rate of per capita GDP of country i at period t .

TIR_{it}: Real interest rate is given by the difference between nominal interest rates and inflation of country i at period t .

b) Regression techniques used

The estimation of the two models are carried out using panel data techniques. Panel data regressions have the advantage that they take into consideration at least two dimensions, over individuals and over time. They contain data on many individuals over a long period of time. Data collected for each of the 6 countries come from secondary sources. They have been collected from the World Bank data set (2007) and from BEAC annual reports. They are all quantitative and cover the period from 1980 to 2006. This gives us 154 observations, being at least 26 per country. The models are first estimated under the hypothesis of uniformity in behaviour through time and countries. This implies that the coefficients of the models do not vary over time and across countries. We estimate the model using ordinary least squares (OLS) method considering that we have a homogenous panel or a model with common effects. That is, there are no country specific effects. The Fisher test indicates that the model is globally significant at the 1% level (Prob > F = 0.0000) (see table 1.1. and 1.2. of appendix1). It is now important to determine which of the OLS or GLS methods of estimation is appropriate for the estimations. To do this, the heteroscedasticity test of Breusch-Pagan indicates that the two models are heteroscedastic since the results of the test gives Prob > chi2 = 0.0000 < 0.05. Given that both models are heteroscedastic, they can be corrected by the method of White. In order to be able to conclude on the existence of individual fixed effects, one must estimate the fixed effect model.

But due to the fact that the models can also be affected by autocorrelation, it is important to run an appropriate test in order to choose a method of estimation that solves these problems eventually.

Concerning the test of autocorrelation for the growth rate of per capita real GDP, we have used the test of Wooldridge in the case of panel data shown in the table below:

⁸ Ross Levine, op.cit p.39

⁹ OCDE "regulation of the financial system and economic growth", in Réforme économique, pp.13-15

Wooldridge test for autocorrelation in panel data

H0: no first order autocorrelation

$F(1, 5) = 0.825$

$\text{Prob} > F = 0.4054$

Since $\text{Prob} > F = 0.4054 > 0.05$ we accept the null hypothesis of no autocorrelation of first order (AR1) in the first model.

Whereas for the equation of financial development, the fact that $\text{Prob} > F = 0.0005 < 0.05$ as shown in the table below leads to the rejection of the null hypothesis. Therefore, there exist a first order (AR1) autocorrelation that can be corrected during the estimation of the fixed effects model.

Wooldridge test for autocorrelation in panel data

H0: no first order autocorrelation

$F(1, 5) = 65.850$

$\text{Prob} > F = 0.0005$

It is therefore appropriate as such to run the regression of the fixed effects model. The problem at this level is to know whether country specific effects are significantly different. In other words, is the hypothesis of heterogeneity amongst countries as concerns the growth rate of capita GDP or financial development accepted or rejected? To test this hypothesis, we use the Fisher test constructed as follows:

Under the hypothesis of homogeneity of countries ($H_0: \beta_1 = \beta_2 = \dots = \beta_{10}$), the estimated model corresponds to the common effects model meanwhile, under the hypothesis of the presence of heterogeneity ($H_1: \exists i, j \exists i \neq j$), the model estimated is that of individual effects. The individual effect β_i is considered to be of the form $\beta_i = \beta_0 + u_i$; the test of homogeneity then boils down to state as null hypothesis that all u_i are zero. The software STATA directly performs the Fisher test when estimating the fixed effects model (see table 2.1. of appendix 2) for the case of the equation for per capita real GDP. The second Fisher statistic, found at the bottom of table 1 of appendix 2 giving the estimation results of the fixed effects model, test the joint significance of introduced fixed effects. Since $\text{Prob} > F = 0.0799 > 0.05$, we accept the H_0 hypothesis. Therefore, the fixed effects are all zero. In this case, we retain the model estimated using OLS (common effects) (see table 3.1 of appendix 3). Since we have a homogenous panel, this means that there does not exist between the six CEMAC countries individual effects peculiar to each country and that explains the growth rate of its real GDP per capita.

Concerning the financial development equation, the second Fisher statistic given in table 2.2 of appendix 2 leads to the rejection of the hypothesis that all the u_i

are equal to zero ($\text{Prob} > F = 0.0000$ is less than 0.05). Therefore, the fixed effects are not all equal to zero. In this case we reject the model estimated using OLS (common effects) since the panel is heterogenous. There exist between the six countries of CEMAC individual effects peculiar to each country that explains its financial development. The problem that arises is to determine whether these individual effects are deterministic or stochastic. To answer this question, we need to estimate the random effects model and run the Hausman specification test. To elaborate the test of Hausman, we require the fixed effects model to be homoscedastic and that there be absence of autocorrelation between explanatory variables and individual effects. If this is not the case, we employ the method of Feasible Generalized Least Squares (FGLS) to estimate the model. This verification is done using the test of Breusch-Pagan that consist of regressing the squared residuals (r^2) of the fixed effects regression on the independent variables of the original regression.

From the results of table 3.2 of appendix 3, we accept the presence of heteroscedasticity in the fixed effects model given that $\text{Prob} > F = 0.0000 < 5\%$. For this reason, there is no need to run the Hausman test since the model suffers from both heteroscedasticity and autocorrelation of order (AR1). The best method, considering the correction for heteroscedasticity and autocorrelation, is that of FGLS on the panel data so as to guarantee the reliability of results shown in table 4 of appendix 3.

Finally, concerning the causality test, we first of all carried unit root tests which showed that the variables growth rate of real GDP and financial development are stationary at levels. This permitted us to run the causality test between these two variables and the results are presented in appendix 4.

IV. RESULTS AND DISCUSSIONS

The results of tables 3.1 and 3.3 of appendix 3 show that: firstly, concerning equation 1, financial development negatively and significantly affects the growth rate of per capita real GDP. This can be explained by the slackness in the putting in place of financial liberalization in the countries of CEMAC. This can also be justified by information asymmetry between economic agents and the financial system without forgetting the scale effects explained by certain authors who demonstrate that for financial development to positively influence growth, the liquidity rate ($M2/GDP$) should be at least 36.5%. For CEMAC countries, this rate is very low. Many studies have shown that for financial development to have a positive impact on growth there is need for a favourable macroeconomic environment. This has not been the case for CEMAC countries during the 1980s and the 1990s. The other

variables that are positively correlated with the growth rate of per capita GDP are: the investment rate, human capital, the rate of inflation, and trade openness. The result of the variable investment rate is significant and positive with respect to the growth rate of per capita GDP. This is not surprising since investment is the engine of growth. Also, the variable human capital is significant and this can be explained by the fact that for many years now, the secondary school attendance rate has considerably increased and continuous to increase nowadays and this exerts a positive externality on growth.

We can also notice a negative correlation between certain variables such as credit to the private sector, external debt, terms of trade, domestic savings, and real interest rate with the growth rate of per capita real GDP. The result of the variable credit to the private sector can be explained by the low amount of credit allocated to the private sector due to the high cost of bank credits. The result of the variable external debt shows that the high indebtedness of a country is a hindrance to its growth. However, we know that most countries of the CEMAC zone have been admitted to the decision point of the Highly Indebted Poor Countries (HIPC) initiative due to the heavy weight of their debts.

Concerning the results of the second equation, there is a positive and non significant effect of economic growth on financial development in CEMAC countries. In fact, this non significant positive contribution of growth to financial development can be explained by low household incomes. Due to this fact, most of household income is used for consumption than for savings. Actually, bank deposits are dominated by demand deposits whereas long term deposits (loanable funds) which are a prerequisite for productive investment are very low.

The results of the variables external debt and inflation rate are similar to those of the variable per capita real GDP. These results are interesting since CEMAC countries regained macroeconomic and financial stability. Nonetheless, the coefficients of variables such as trade openness and public deficit have a negative correlation with financial development. The results of deficit indicate that an increase of public deficit leads to a degradation of the financial sector. This result is logical since an increase in public deficits push the state to repress the financial sector in view of obtaining cheap resources to meet its social needs.

Finally, the results of figure 3 and table 4 show a positive correlation between financial development and economic growth. From this figure, the development of the financial sector comes partly from an increase in the growth rate of per capita real GDP. Also, table 4 shows that the relationship of causality between the real and the financial spheres is unidirectional going from economic growth to financial development i.e. "demand-following".

V. CONCLUSION AND RECOMMENDATIONS

The main objective followed in this study was to appreciate the type of relationship that exists between financial development and economic growth in CEMAC countries. Panel data regression techniques were used for the analysis. The results show that there exists a unidirectional causality running from economic growth to financial development. These results call for a number of recommendations:

It has been shown both theoretically and empirically that financial development promotes economic growth. As such, policy makers of CEMAC countries should take dispositions to increase the efficiency of their financial sectors so that they can contribute to economic growth. Therefore, they should implement measures that would allow financial institutions to efficiently allocate resources to the most productive opportunities. In fact, banks of the zone are characterized by excess liquidity meanwhile investment financing needs are not met. Many banks still show their lack of confidence to investors that do not have sufficient guarantees. This is why the creation of a guarantee fund in CEMAC countries is imperative. Surplus agents should also be encouraged to save by raising the minimum deposit rate of the central bank.

To backup the banking sector, there is need for the effective functioning of the two stock exchanges (Douala stock exchange and the Libreville stock exchange) of the zone to allow investors to dispose of long term resources that are indispensable for the financing of medium and long term projects.

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APPENDIX

Appendix 1 : RESULTS OF THE ESTIMATION OF THE TWO MODELS USING OLS

Table 1.1. : Estimation of growth rate of per capita real GDP equation

Source	SS	df	MS	Number of obs =		
154				F(10, 143) = 12.01		
Model	7128.52732	10	712.852732	Prob > F = 0.0000		
Residual	8491.28328	143	59.3796034	R-squared = 0.4564		
Total	15619.8106	153	102.090265	Adj R-squared = 0.4184		
				Root MSE = 7.7058		
g	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
inv	.2383272	.0565548	4.21	0.000	.1265358	.3501186
doms	-.0218149	.049799	-0.44	0.662	-.1202523	.0766225
tir	-.0804083	.0478358	-1.68	0.095	-.1749649	.0141483
tot	-.032263	.014612	-2.21	0.029	-.0611463	-.0033796
hum	.029762	.0544514	0.55	0.586	-.0778716	.1373956
open	.022749	.0221465	1.03	0.306	-.0210278	.0665257
m2pib	-.4150299	.193041	-2.15	0.033	-.7966125	-.0334474
priv	-.1748138	.1113561	-1.57	0.119	-.3949305	.0453028
inf	.0244318	.0562553	0.43	0.665	-.0867676	.1356313
detex	-.0543211	.0133133	-4.08	0.000	-.0806375	-.0280048
_cons	11.30846	3.727726	3.03	0.003	3.939894	18.67703

Table 1.2. : Estimation of financial development equation

Source	SS	df	MS	Number of obs =		
				F(6, 150) = 7.31		
Model	7756.56232	6	1292.76039	Prob > F = 0.0000		
Residual	26530.4464	150	176.869642	R-squared = 0.2262		
Total	34287.0087	156	219.788517	Adj R-squared = 0.1953		
				Root MSE = 13.299		
m2pib	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
g	.2630223	.1302892	2.02	0.045	.0055832	.5204613
tir	-.0189434	.0810359	-0.23	0.815	-.1790626	.1411758
inf	-.0127896	.0964687	-0.13	0.895	-.2034026	.1778233
def	-.4365826	.1788199	-2.44	0.016	-.7899138	-.0832515
open	-.0770092	.0215035	-3.58	0.000	-.119498	-.0345203
detex	-.0717505	.019974	-3.59	0.000	-.1112172	-.0322839
_cons	34.21546	2.608655	13.12	0.000	29.061	39.36992

Appendix 3 : Results of Estimations After Correction of All Problems

Table 3.1. : Estimation of model after correction of heteroscedasticity

FE (within) regression with AR(1) disturbances		Number of obs	=	148		
Group variable (i): i		Number of groups	=	6		
R-sq:	within = 0.3196	Obs per group:	min =	20		
	between = 0.0889		avg =	24.7		
	overall = 0.2110		max =	26		
corr(u_i, Xb) = -0.5230		F(10,132)	=	6.20		
		Prob > F	=	0.0000		

g	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	

inv	.2533914	.0654836	3.87	0.000	.1238583	.3829244
doms	.0148279	.0662438	0.22	0.823	-.1162089	.1458646
tir	-.0634845	.050532	-1.26	0.211	-.1634418	.0364728
tot	-.035159	.0216711	-1.62	0.107	-.0780265	.0077085
hum	.0702894	.0974922	0.72	0.472	.2631387	.1225599
open	-.0503259	.0356373	-1.41	0.160	-.1208201	.0201683
m2pib	-.3232571	.2366939	-1.37	0.174	-.7914611	.1449468
priv	-.3143691	.1431159	-2.20	0.030	-.5974665	-.0312716
inf	.0491597	.0573645	0.86	0.393	-.064313	.1626324
detex	-.1038913	.0244144	-4.26	0.000	-.1521855	-.0555971
_cons	20.04822	7.237107	2.77	0.006	5.732507	34.36393

rho_ar	-.08864987					
sigma_u	6.937531					
sigma_e	7.7262259					
rho_fov	.44636982	(fraction of variance due to u_i)				

F test that all u_i=0:		F(5,132) =	2.02	Prob > F = 0.0799		

Table 3.2. : Breusch-Pagan test for heteroscedasticity for fixed effect model

FE (within) regression with AR(1) disturbances		Number of obs	=	151
Group variable (i): i		Number of groups	=	6
R-sq:	within = 0.0648	Obs per group: min	=	21
	between = 0.2901	avg	=	25.2
	overall = 0.1808	max	=	26
corr(u_i, Xb) = -0.5949		F(6,139)	=	1.60
		Prob > F	=	0.1502

m2pib	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
g	.0035312	.0364553	0.10	0.923	-.0756097	.0685474
tir	.0240837	.019863	1.21	0.227	-.015189	.0633564
inf	.0025483	.0230299	0.11	0.912	-.0429858	.0480824
def	.0733453	.0646958	1.13	0.259	-.0545697	.2012604
open	.0440797	.0195289	2.26	0.026	.0054677	.0826918
detex	.02165	.0168664	1.28	0.201	-.0116978	.0549978
_cons	16.25686	.4593015	35.39	0.000	15.34874	17.16498

Appendix 3 : Results of Estimations After Correction of All Problems

Table 3.1. : Estimation of model after correction of heteroscedasticity

Linear regression					Number of obs = 154	
					F(10, 143) = 4.65	
					Prob > F = 0.0000	
					R-squared = 0.4564	
					Root MSE = 7.7058	
g	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
inv	.2383272	.0634472	3.76	0.000	.1129117	.3637428
doms	-.0218149	.0492114	-0.44	0.658	-.1190907	.075461
tir	-.0804083	.0539266	-1.49	0.138	-.1870046	.026188
tot	-.032263	.0151801	-2.13	0.035	-.0622694	-.0022565
hum	.029762	.0402535	0.74	0.046	.0498069	.1093309
open	.022749	.0240864	0.94	0.347	-.0248625	.0703605
m2pib	-.4150299	.1969299	-2.11	0.037	-.8042998	-.0257601
priv	-.1748138	.0902647	-1.94	0.055	-.3532394	.0036117
inf	.0244318	.037375	0.65	0.514	-.049447	.0983106
detex	-.0543211	.0130171	-4.17	0.000	-.0800518	-.0285904
_cons	11.30846	4.48883	2.52	0.013	2.435425	20.1815

Table 3.2. : Breusch-Pagan test for heteroscedasticity for fixed effect model

Source	SS	df	MS	Number of obs = 157		
				F(6, 150) = 7188.36		
Model	3606984.97	6	601164.161	Prob > F = 0.0000		
Residual	12544.5415	150	83.6302769	R-squared = 0.9965		
				Adj R-squared = 0.9964		
Total	3619529.51	156	23202.1122	Root MSE = 9.145		
r2	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
g	-.1605935	.0895908	-1.79	0.075	-.3376164	.0164295
tir	1.289006	.0557227	23.13	0.000	1.178904	1.399109
inf	.25874	.0663348	3.90	0.000	.1276687	.3898112
def	3.141262	.122962	25.55	0.000	2.898301	3.384223
open	2.165223	.0147864	146.43	0.000	2.136006	2.194439
detex	.9130011	.0137347	66.47	0.000	.8858626	.9401396
_cons	221.714	1.793791	123.60	0.000	218.1696	225.2584

Table 4.: Estimation of model using FGLS on panel data

Cross-sectional time-series FGLS regression

Coefficients: generalized least squares

Panels: heteroskedastic

Correlation: common AR(1) coefficient for all panels (0.8321)

Estimated covariances = 6 Number of obs = 157

Estimated autocorrelations = 1 Number of groups = 6

Estimated coefficients = 7 Obs per group: min = 22

avg = 26.16667

max = 27

Wald chi2(6) = 5.94

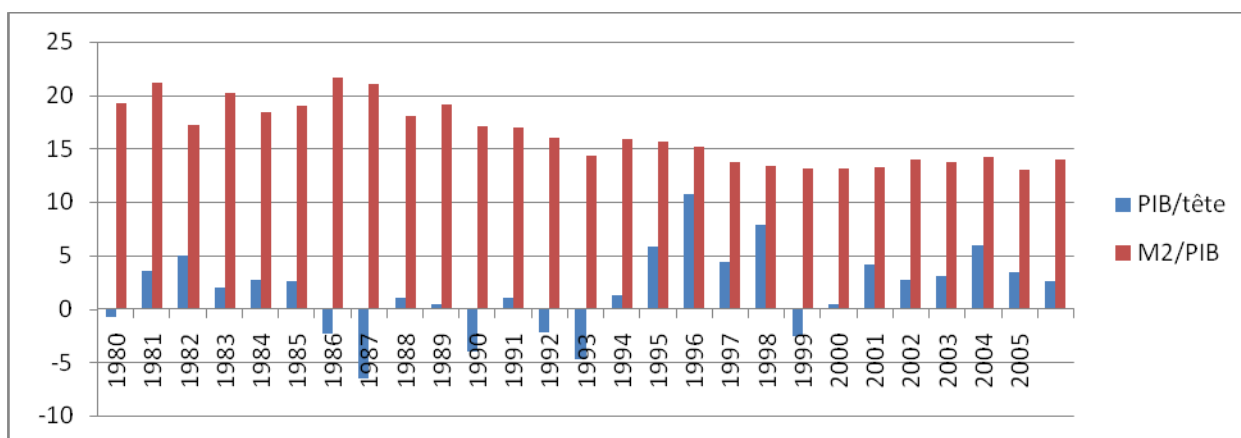
Prob > chi2 = 0.4296

Log likelihood = -390.7874

m2pib	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
g	.0059324	.0311586	1.19	0.151	-.0670021	.0551373
tir	.0226663	.013791 ^c	1.64	0.100	-.0043637	.0496962
inf	.0029804	.0145994	0.20	0.838	-.0256339	.0315946
def	-.0412065	.0492044 ^b	-1.84	0.040	-.1376454	-.0552323
open	-.0013735	.0150131	-0.09	0.927	-.0307986	.0280516
detex	.0042677	.0106126	0.40	0.688	-.0165327	.0250681
_cons	17.6651	1.727497 ^a	10.23	0.000	14.27927	21.05093

Appendix 4 : Granger causality test results

Figure 3 : Correlation between growth rate (G) and financial development (M2/GDP)



Pairwise Granger Causality Tests

Date: 10/01/10

Sample: 1980 2006

Null Hypothesis:	Obs	F-Statistic	Probability
	156		
M2PIB does not Granger Cause G		1,77420143	0,17328107
G does not Granger Cause M2PIB		2,81198793	0,06336616



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A Normative Model For Sustainable Cultural and Heritage Tourism in Regional Development of Southern Jalisco

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

Keywords : *Regional development, tourism companies, Southern Jalisco, cultural tourism*

GJMBR Classification : *Code: 150603, 150402, 150605*



Strictly as per the compliance and regulations of:



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

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Resumen - Este trabajo tiene por objetivo proponer un modelo normativo para determinar las potencialidades del turismo cultural en los municipios que comprenden la región 6 del Estado de Jalisco, delimitada territorialmente en el Sur de Jalisco. Primeramente se hacen análisis para determinar la demanda del turismo cultural para determinar el perfil del turista cultural bajo los supuestos de que los turistas motivados especialmente por la cultura, tienden a viajar más largas distancias que la mayoría de los turistas. Se analizan las motivaciones y satisfacciones del turista cultural para establecer el mercado potencial de conformidad con las características del mercado destino en la región Sur de Jalisco. Toda operación de las empresas de turismo cultural debe realizar el diagnóstico estratégico, por lo que se explica el empleo del análisis de fortalezas, oportunidades, debilidades y amenazas (foda) como herramienta de planeación estratégica de las empresas del turismo cultural. Finalmente, se proponen las estrategias del desarrollo del turismo cultural para esta región del Sur de Jalisco.

Palabras clave: *Desarrollo regional, empresas turísticas, Sur de Jalisco, turismo cultural*

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I. INTRODUCTION

There is an increasing awareness of culture, arts, festivals, heritage sites natural and cultural, and folklore. Cultural diversity is the base of cultural and heritage tourism. Cultural tourism has been at the center of the tourism industry in Europe and now other countries are approaching to develop their own activities (Nzama, Magi, & Ngcobo 2005). Cultural tourism is a tourism product by itself and can have high contributions to regional economic development. Development implies the design, marketing and promotion of new cultural and heritage tourism products and activities while creating a safe and user-friendly atmosphere for visitors and local communities.

Despite that the Southern Region of the State of Jalisco in México is considered one of the most culturally rich in manifestations and expressions in Latin American literature, painting, etc., cultural tourism is almost non-existent. Local communities tend not to be actively interested in cultural tourism related issues and do not understand what the benefits could be. Besides, there exists a lack of reliable data on cultural tourism for the Southern Region of Jalisco. Cultural tourism is neither common nor universal. Cultural tourism may not be considered as part of the core interests of an organization, government or community, but they appreciate and understand the consequences and possibilities of tourism (Jamieson, 1998). There is also scarce data and information on practice of cultural tourism activities.

Social dynamic Changes occurring in the Southern Region of Jalisco, make difficult to obtain useful information to be a reliable input for the design, implementation and effectiveness of cultural tourism policies.

The objective of this study is to address the lack of cultural tourism activities and infrastructure on the Southern Region of Jalisco. An aim of this exploratory study is to collect inputs on whether the Southern Region of Jalisco can be transformed into a cultural tourism destination. The concept of cultural tourism can be formulated after understanding the cultural activities offered by a community and considered as an asset to



the regional economic development. Cultural tourism is an option to create employment, to improve the quality of life and poverty eradication initiatives.

As a marketing strategy, cultural tourism is one of the latest buzzwords to attract visitors to cultural sites. Cultural tourism destinations offering cultural products and services linked by geography, townships, folklore, history, celebrations, art experiences and performance, can be marketed to local and foreign visitors. Cultural tourism in the Southern Region of Jalisco can offer potential benefits to regional economic development and to visitors as well, because it has the resources. An integrated approach involving all stakeholders must be inclusive and participative to ensure sustainable, holistic and efficient cultural tourism ventures.

The term of cultural tourism is heavily influenced by professional approaches to be referred more as a concept than as a particular set of objects, articles or products. The World Tourism Organization (WTO) defines tourism as comprising the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes (WTO, 2000:4). Cultural tourism is defined as the movements of persons for essentially cultural motivations, which includes study tours, performing arts, cultural tours, travel to festivals, visits to historic sites and monuments, folklore a pilgrimages (WTO, 1985).

The concept of cultural tourism encompasses a wide range of views embracing a full range of human expressions and manifestations that visitors undertake to experience the heritages, arts, lifestyles, etc. from people living in cultural destinations. Heritage tourism is usually considered to be cultural tourism. Heritage tourism: refers to tourists visiting places of traditional, historical and cultural significance with the aim of learning, paying respect to recreational purposes (Nzama, et al., 2005).

The term cultural tourism encompasses historical sites, arts and craft fairs and festivals, museums of all kinds, the performing arts and the visual arts and other heritage sites which tourists enjoy to visit in pursuit of cultural experiences (Tighe, 1985). Heritage tourism as a synonymous of cultural tourism, is an experiential tourism related to visiting preferred landscape, historic sites, buildings or monuments and seeking an encounter, involvement and stimulation with nature or feeling part of the history of a place (Hall & Zeppel, 1990).

A cultural tourist is a person who stays more than 40 kilometers away from home for at least one night and has attended a cultural venue, which will include visiting an art gallery, museum, library, music concert, opera and a cinema (Australian Bureau of Statistics, 1997). Hall (1998) defines cultural tourism as tourism that focuses on the culture of a destination, the lifestyle, heritage, arts industries and leisure pursuits of

the local population.

Cultural tourism is related to the cultural aspects that includes the customs and traditions of people, their heritage, history and way of life. The International Council of Monuments and Sites (ICOMOS) defines cultural tourism as "a name that means many things to many people and herein lies its strength and its weakness" (McKercher and Cros, 2002:24). Cultural tourism theory is only beginning to debate issues of gender specialization (Aitchson, 2003).

Cultural tourism refers to travel that is directed towards providing opportunities and access to visitors to experiencing the arts and crafts, museums, heritage, festivals, music, dance, theaters, literature, historic sites and buildings, landscapes, neighborhoods and special character of local communities. Cultural tourism relates to the temporary short-term movement of people to cultural destinations outside the place of residence and work, and where their activities at these destinations or facilities cater for their recreation needs (Keyser, 2002). Cultural tourism associates the word "tourist and cultural attraction" with the tangible and intangible cultural heritage. Cultural tourism is the attendance by inbound visitors to one or more cultural attractions such as festivals, fairs, museums, art galleries, history buildings and craft workshops (Bureau of Tourism Research, 2004).

Ivanovic (2008) and Cooper, Fletcher, Fyall, Gilbert & Shepherd (2008) sustain that the greatest motivator for travel is to understand culture and heritage, both emerging as contributing to economic development. Ivanovic (2008) argues that cultural and heritage tourism is a recent development in the tourism activities, and with ecotourism are emerging as the predominant forms of tourism and replacing sun-lust mass tourism. Cultural attractions and events play a key role in cultural tourism and hospitality destinations to entice visitors (George, 2001). Cultural tourism is traveling to experience and to participate in vanishing lifestyles that lie within human memory (Goeldner & Ritchie, 2009).

The aim of cultural tourism policy is to influence and attract visitors (Williams and Shaw, 1991:263). Tourists with special interest in culture corresponds to the segment of "cultural tourism", ie., size and value are directly attributable to the country's cultural values that encourage tourists to take a trip. Tourists with occasional interest in culture belong to other tourism segments (CESTUR). A special program of incentives for tourism related to culture or values must recognize contributions that tourism can have for culture and vice versa, to capitalize on the positive and generate synergies for the development of both sectors.

Within the designing and developing process, cultural tourism may take many forms. Sharma (2004) adds to the cultural resources debate advocating the economic benefits of developing programs, resources

and facilities for the benefit of local communities, creating a balance between the economic imperatives and positive and negative impacts.

Cultural tourism activities may have an economic impact on regional development by creating employment and improving the standards of life. Hanekom, & Thornhill (1983:110) describe the activities of cultural tourism as consisting of phenomena such as formulation of policy making, planning and organizing the structure, methods and procedures, recruiting, training, developing and motivating personnel, budgeting and financing operations. The philosophical principles of the tourism discipline must be reconsidered to re-evaluate the fundamentals of cultural tourism.

Cultural and heritage tourism can be considered as a dynamic activity developed through physical experiences, searching and celebrating what is unique and beautiful, represented by our own values and attributes which are worthy to preserve and to inherit to descendents in such a way that communities can be proud of them.

II. THEORETICAL BACKGROUND AND LITERATURE REVIEW

Theory building and development is needed in order to use it as a foundation for an explanation and understanding of the normative model on cultural tourism for the Region of Southern Jalisco. Theory for cultural tourism has been developed to explain, analyze, evaluate and predict the related phenomena (Moulin, 1989, 1990). However, a cultural tourism theoretical framework to sustain the practice and activities requires availability of data on infrastructure, resources and skills.

Easton (1979) developed a normative model of cultural tourism emphasizing the external environments serving the inputs that may influence the goal-achievement, such as the political, economic, socio-cultural, legal, environmental, educational, health, statutory policies, demographics and technological environment, although the numbers and types of possible environments may be unlimited (Ferreira, 1996:403). Each environment requires the adaptation of the conversion mechanism (Easton, 1965: 131-132; Ferreira, 1996:403).

After the goal is achieved, the inputs formed by the original external environment generate new needs to be satisfied by achieving a new goal (Easton, 1965:128-129; Ferreira, 1996:404; Cloete and Wissink, 2000:39). An opposing argument underlies conserving and protecting the integrity of the cultural tourism resources, by monitoring overcrowding, overuse of the resource and environmental pollution (McDonald, 1999).

Cultural and heritage tourism brings significant economic benefits and development to cultural and heritage sites, townships and communities. An empirical research conducted by Besculides, Lee and McCormick

(2002) using a benefits-based approach to examine the perceptions of cultural tourism by Hispanic and non-Hispanic residents, showed that Hispanics felt strongly that living along a cultural tourism byway provide cultural benefits and have greater concern for its management.

The philosophical approach to cultural tourism of the stakeholders, providers and policy makers shapes the values and norms of the normative model oriented to develop effective policy around cultural tourism. Local communities developing and promoting cultural and heritage tourism may need as a frame of reference an effective implementation of local and national policies. Cultural and heritage tourism products and services development and promotion require planning and implementing on the basis of policies. Philosophical principles of cultural tourism are required to sustain the design and implementation of a normative model aimed to promote regional economic development policies. The literature on cultural tourism policy is relevant in developing a normative framework. There is a need to develop a policy framework for cultural heritage tourism.

The cultural tourism theory "Creative cities" recommends investing in cultural and heritage goods. Ximba (2009) analyzed and examined the "variables and principles such as understanding of cultural tourism, development and conservation of culture, provision cultural facilities, participation in cultural tourism, application of tourism policies and practices, and the benefits of cultural and heritage tourism". Cultural tourism is based on the participation in deep cultural experiences, whether, intellectual, psychological, aesthetic and emotional (Russo, and van der Borg, 2002) and as specialized cultural tourism focuses on a small number of geographic sites, townships, cultural unities and entities.

The normative model enables to arrange data and information on cultural tourism activities in such a way that can provide the bases to develop a theoretical framework for cultural tourism. Normative theory is concerned with phenomena and questions regarding the role assumed by government and in general, the public sector (Hanekom & Thornhill, 1983:71).

A normative model of sustainable cultural tourism developed by Ismail (2008) proposes a normative input-output model with an implementation mechanism to ensure sustainable cultural tourism facilitating initiatives for regional development by creating employment and poverty alleviation. The approach of sustainable cultural and heritage tourism development is aimed to improve the environment by meeting the needs of the present communities without compromising the ability of future generations to meet their own needs (WCED, 1987:8). Sustainable cultural and heritage tourism development requires the best-practices (Magi & Nzama, 2002) to meet the needs of present guest visitors and host local communities while

protecting and fostering enhanced opportunities for future generations.

A sustainable cultural tourism contributes to community development if the tourism stakeholders and business are efficient, fair and environmentally oriented. MacDonald and Lee (2003) examined the cultural rural tourism on a framework considering the roles of culture in community-base partnerships. Their findings suggest that culture in rural tourism development is a valuable resource and community-based partnerships may be very effective.

Cultural tourism enhances local community identity and esteem. It provides the opportunity for greater understanding and communication between people of diverse backgrounds (Lubbe, 2003). Sustainable cultural and heritage tourism development is based on the assumption that resources and facilities are finite, limited, some are not renewable, experience degradation and exhaustion, cannot continue to growth to meet the needs of the mass tourism and a growing population (SARDC, 1994).

The practice of principle of sustainability of cultural and heritage tourism development is the requirement to share the benefits on a permanent basis between the visitors and residents of local communities. To overcome some problems associated with cultural tourism development and these include to take advantage of all the opportunities, know-how, financial support, community co-participation, etc., to maximize the benefits. Community participation in cultural and heritage tourism development should become a practice as the core of a people-centered approach to incorporate them in the decision making process on the development of cultural and heritage resources and in sharing all the benefits (Magi & Nzama, 2008).

Participants in cultural tourism activities expect to get enjoyment, satisfaction or fulfillment from the experience (Shivers 1981). McKercher and Du Cros (2003) test a cultural tourism typology represented by five benefit-based segments tested against a variety of trip, demographic, motivational, preferred activity, awareness, cultural distance and activity variables. They found differences between the groups and suggested that the model presented may be effective in segmenting the cultural tourism market.

Co-participation in decision-making, ownership and benefits of all stakeholders involved in sustainable cultural and heritage tourism is the core of the encounter, experience and enjoyment of resources and opportunities available to the tourist or leisure seeker (Torkildsen 2007).

Cultural and heritage tourism may be a tool to preserve the culture of host communities. The sustainable cultural and heritage tourist policies must focus and norm activities and best-practices oriented to the restoration, enhancement and conservation of resources for both present and continuing future use

and enjoyment by visitors and local people (Keyser, 2002). The maintenance, conservation and preservation's level of resources is related to the level of cultural tourism infrastructure and facilities.

The research undertakes an in-depth literature search to extract a set of normative criteria for cultural tourism and conducted an empirical qualitative survey. From the results of this research, finally a normative model of cultural tourism was designed. The aim of the normative model for sustainable cultural tourism is to facilitate the analysis, design and formulation of cultural tourism policy initiatives. Cultural tourism theory based on normative criteria focuses on formulation, design and implementation of cultural tourism policies. The political external environment influences the governmental tourism policy which in turn, may have an impact on the development of a normative model for cultural tourism. Cultural tourism theory based on normative criteria is necessary for the formulation of cultural tourism policies oriented towards the improvement of regional economic development.

The aim of any cultural tourism policy oriented to the regional development is to influence and attract visitors (Williams and Shaw 1991:263-264) through the generation of demand and the provision of tourism services. Richards (1996) conducted international research on cultural tourism demand and supply and found a rapid increase in both the production and consumption of cultural heritage tourism attractions.

The normative criteria incorporated in the model may be the framework of reference of the external macro environment which in turn may influence the social cultural tourism policy. Social cultural tourism factors which influence the external environment can be determined by implementing an appraisal system which benefits all the stakeholders. The implementation of the normative framework for cultural tourism is dependent of the commitment of tourism stakeholders, government agencies, communities, etc., to play their corresponding roles.

Thus, the stakeholders in cultural tourism, communities, government agencies, municipal governments, etc., hold the responsibility to implement initiatives to develop infrastructure, cultural facilities, cultural tourism attractions, accommodation facilities, etc. The normative model is appropriate to describe, explain and analyze the activities of cultural tourism in order to design, develop, promote and implement policies oriented towards to create employment and improve better quality of life conditions. A normative model of cultural tourism can be useful to develop strategies and formulate policies to frame the execution of some relevant proposals, recommendations and projects. A normative model for cultural tourism on the Southern Jalisco, flexible and dynamic as a tool, assists in providing the methodological criteria and procedures, policies and strategies to promote regional economic development.

III. METHODS

Research on a normative framework for cultural tourism is deemed necessary to address the current dysfunctional economic development of the Southern Region of Jalisco. A systems approach can be used for the purpose of analyzing and developing a normative framework for cultural tourism (Bayat and Meyer, 1994:83-10). The aim of the normative model for cultural tourism is to analyze the strengths, weaknesses, threats and opportunities in all factors such as infrastructure, facilities, skills, etc. and above all the design and implementation of cultural tourism policies on the Southern Jalisco.

The normative is designed as a tool for aiming to change the current situations, policies and strategies into a more dynamic, functional and flexible proposal for regional economic development. The use of a normative model for cultural tourism requires qualitative and quantitative methods of analysis as an approach to conduct research. An analysis of the macro external environment includes the microenvironment, macro environment and marketing environment, representing external forces influencing the decision making processes and goal achievement such as economic, social, political, public policies, demographic, legal, technological, etc.

The micro-internal environment of a normative framework for developing, promoting and sustaining cultural tourism influence suppliers, distribution channels, customers, competitors, community values, local politics, legal requirements, etc. The guiding principles and policies developed by federal and local governments may be the core criteria for designing and

developing the normative framework of reference for cultural tourism on the Southern Jalisco.

The goal of the normative model for cultural tourism is to attain effective and efficient criteria and performed to design, develop, maintain, promote and enhance the development of cultural tourism. The feedback mechanism of the normative model senses any possible deficiency and deviation of the ongoing outputs coming from the de normative model of cultural tourism in relation to the macro and micro environmental variables and factors.

IV. DETERMINATION OF THE DEMAND OF CULTURAL TOURISM

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

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

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

Table 1 : Mexico's Tourism related information

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

12004 Real growth adjusted for inflation.22005-2014 annualized real growth adjusted for inflation

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

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

A study by the World Travel and Tourism Council (WTTC) based on eight indicators of Tourist Competitiveness Monitor (Financial Infosel, 2004) and applied to 212 countries, puts Mexico in the 70th. The eight indicators are prices, human tourism, infrastructure, environment, technology opening to tourism, social and human resources. The price index considers "the costs that consumers pay for hotel products and services ... taxes on purchases of goods and service utilization." The human tourism index takes into account "the people's participation in tourism activities.

Table 2 : Place of Mexico from 212 countries

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

b) Economic impact of tourism sector in Mexico

According to the latest official information available from the Government of Mexico (Bulletin Quarterly Tourism) the number of international tourists to Mexico in 2003 showed growth rates marginally below that recorded during the previous year representing a significant reduction for the indicator in 2003. When considering the total international tourists in 2003 (more border placement) reveals a contraction (-5.1%) resulting from the collapse of border tourists, going from 9.8 million tourists in 2002 to 8.3 million tourists in 2003, a reduction of 15%. The country received 18.7 million international tourists, down by 5.1% over 2002.

The main reason for the negative balance in number of tourists is due to increased immigration enforcement at the border with the United States, caused by exogenous factors such as the recent conflicts in the Middle East and the severe acute respiratory syndrome. Although there were a lower number of international tourists compared with 2002, the inflow of hard currency received in 2003 allowed to record historical figures as the result achieved in 2003 is the highest level seen in the last four years. Tourists in hospital are those who generate more foreign exchange for our country, so no border tourism presented a positive change that led to the outflow of hard currency to grow, by increasing the total expenditure of international visitors to Mexico, resulting in a significant increase in the surplus of passengers.

The segment of tourists in hospital ended the year 2003 with 10.4 million, 4.8% higher than the levels presented in 2002. Spending increased from 8.858 at 2002-9457000 dollars, a level which represents an

increase of 6.8%. Within this segment, the placement tourism contributed 70% of total deposits, 23% were in the hikers and the remaining 6% is recorded border tourists (Tourism Quarterly Bulletin). The cruise segment recorded an increase in currency in 2003 to 35.9 over the previous year. There was also a reduction in the flow of tourists and visitors Trans border international outside Mexico than in 2003 accumulated a 18.6% drop. The total expenditure incurred by Mexicans abroad showed a surplus in the tourism balance of \$ 3.204 million for 2003, 14.5% more than in 2002. In 2003 recorded 47.9 million tourist arrivals national hotel rooms, which means an increase of 1.3% compared to the previous year.

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

In 2004 it is expected that travel and tourism generates in Mexico 8.40.200 million pesos equivalent to U.S. \$ 73.3 billion in economic activity (total demand). The direct impacts of this industry include:

+681, 354 jobs, representing 2.4% of the total. 186 800 million Mexican pesos equivalent to U.S. \$ 16.3 billion gross domestic product, equivalent to 2.7% of total. However, because tourism touches all sectors of the economy, its real impact is greater. The economy of this sector directly and indirectly represents:

+2, 865.740 jobs representing 10.0% of total

+ 643 200 million pesos of gross domestic product, equivalent to 9.4% of the total.

+ 299 900 million Mexican pesos equivalent to U.S. \$ 26.2 billion of exports, goods or services and 13.8% of total exports

+ 168 300 million Mexican pesos equivalent to 14.7% billion of capital investments or 10.7% of total investments.

+ 40 300 million pesos equivalent to U.S. \$ 35.5 billion of government expenditure or 5.1% of participation.

c) Growth

For 2004, tourism projects in Mexico

+ Real growth of 11.1% of total demand.

+ 9.3% of the domestic product of the tourism industry sector, 186 800 million Mexican pesos equivalent to U.S. \$ 16.3 billion gross domestic product for the industry directly, and 10.7%, 643.2 thousand million pesos of gross domestic product, equivalent to 9.4% of the total.

For the economy of tourism in general (direct and indirect costs).

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

In the next ten years, tourism in Mexico is expected to reach an annualized real growth:

+ 7.1% of total tourism demand for lograr2, 340 equivalent to 000 million (U.S. \$ 167.4 bn) in 2014.

+ 5.5 of total of total domestic product of the tourism sector up to 422 900 million pesos equivalent to U.S. \$ 124.6 billion to the economy of tourism in general.

+ 3.1 in employment in the tourism sector to reach 921, 832 work directly in industry and 5.8% to 5.02955 million jobs in the tourism economy in general for the year 214.

+ 7.9% in exports of visitors rising to 382 300 million pesos, equivalent to 27.3 billion dollars for the year 214.

+ 9.9% in terms of capital investment to increase to 604 700 million pesos, equivalent to 43. \$ 2 trillion in 2014.

+ 2.3 & in terms of increased public expenditure to reach 70.6 thousand million pesos equivalent to \$ 5 billion in 2014.

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

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

V. PROFILE OF TOURISTS WITH CULTURAL STATEMENT

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

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

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

VI. MOTIVATIONS AND SATISFACTION OF CULTURAL TOURISTS

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

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

VII. MARKET POTENTIAL

Surveys to estimate and characterize the current volume of demand for cultural tourism in the domestic market indicate that only 5.5% of domestic tourists are considered especially motivated by culture and 35.7% with casual interest. globally 37% of the

tourists engage in some cultural activity during their trip and the annual growth rate will be 15% from 2000. (Bywater, M., 1993)

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

VIII. DETAILS OF THE OFFER OF TOURIST DESTINATIONS-CULTURAL

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

The criteria used for selecting the destination locations are:

- a) The role they play in the tourism system;
- b) The main features that have cultural heritage;
- c) The terms of infrastructure and services for tourist use and
- d) Details of the local population.

It becomes most apparent difference between domestic and foreign perceptions.

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

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

9. Highway that connects major cities and highways which connect small towns and airports, three of which are international.

IX. OPERATIONS OF THE BUSINESS OF CULTURAL TOURISM

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

Cultural Tourism Sectors

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

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

- a. Hotels
- b. Tour operators
- c. Museums
- d. Craft Stores
- e. Restaurants
- f. Tourists Guides
- g. Cultural sites managed by the INAH

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

- a. Cultural tourism players
- b. Municipal authorities, state and federal
- c. Bodies promoters Culture
- d. Administration of sites and monument
- e. Nongovernmental organizations
- f. Universities, schools and institutes
- g. Business of Entertainment
- h. Carriers
- i. Tourists Guides
- j. Travel Agencies
- k. Independent travel Promoters
- l. Associations and Clubs

X. SWOT CORPORATE ANALYSIS

Table 3 : Swot corporate Analysis

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

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

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

- Revaluation of the relationship between culture and tourism
- Systematization of planning and control instruments
- Organizational strengthening
- Optimization of cultural heritage management
- Enriching the cultural tourism offer
- Rethinking the promotion and marketing

XI. DESIGN OF CULTURAL TOURS CIRCUITS IN SOUTHERN JALISCO

A. Cultural Tourism Circuit "Footsteps In The Land Of Great Artists

...."Municipalities that comprise the cultural tour:

Zapotlán the Great Sayula San Gabriel Tolimán Vadillo Zapotitlán Cultural scene First Day City Tour Historic Center of Painting and Sculpture Guzman City Hall, illustrious men Columnario Zapotlán the Great House where he was born Juan José Arreola Lazaro Cardenas street, Mendoza Portal architecture, temple

architecture and sculpture of the Tabernacle, painting, sculpture and architecture of the Third Order temple and former convent, painting, architecture and sculpture of the cathedral, market Paulino Navarro, Portales, birthplace of painter José Clemente Orozco, architecture Town Hall, Palace of the cob architecture, snack restaurant above the Portal Hidalgo, backyards overlooking the Portal Hidalgo. (Estimated time: 4 hours). From 12 to 23 October you can visit the Fair with all its traditions and customs, which culminates with the floats or litter.

Suggested meal in some of the excellent restaurants of Ciudad Guzmán Sayula Tour: Legend of the poem of the soul Sayula and location of the main places referred to, Downtown and portals Sayula, visit the Center of the Immaculate Conception Parish and a former convent, visit the Museum and Casa de la Cultura Juan Rulfo, visit the house of Handicrafts, cutlery shop visit of Ojeda, Juan Rulfo birthplace, architecture and paintings of the Santuario de Guadalupe and a former Franciscan convent. The carnival was staged on Shrove Tuesday to end on Ash Wednesday. (Estimated time 4 hours) Suggested dinner with typical food and sleep in Sayula in La Casa de los Patios .. Second day Typical breakfast is suggested Sayula Travel in San Gabriel On the way to San Gabriel Sayula suggested references to places mentioned in the works of Juan Rulfo: Apango, Apulco, etc.; Apango visit. View of Llano Grande, Puerto Los colimotes view, visit the Historic Center of San Gabriel, paintings and sculptures of Trujillo Enrique the Lord of Mercy Amula, visit the house where Juan Rulfo, visit house where Jose Mojica, priest, composer and singer, a visit to the stones with petroglyphs Telcampana visit, visit to the former estate

of Juan Rulfo Apulco where he lived most of his childhood, can be visited if it coincides in time, the Feasts of the Lord is Amula held from 11 to 19 January each year, the feasts of the Lord of Mercy, (Estimated time, 6 hours) Lunch and dinner is suggested typical local food and stay overnight in San Gabriel. Third day Tour of Toliman, and Vadillo Zapotitlan It is suggested breakfast at Toliman Visit the Cerro Encantado and Petacal, Crescent View, visit the Museum in Toliman. Visit the Wall of the Temple of the Assumption. If you match 6 to August 15, you can join the feast of Our Lady of the Assumption., To appreciate their dances and traditions. Typical meal is suggested. Visit the Historical Center of Zapotitlan Vadillo presentation is suggested poems and legends that abound in the folklore of this place, as the Cerro Chino. If it coincides in time can participate in the Feast of the Virgin of Guadalupe from 1 to January 15 and the feasts of Mary Magdalene on 22 July, the religious feast day image borne in procession through the streets ornate people, parade floats, music and dance Return to Cd Guzman, cultural tourism circuit ends

B. Cultural Tourism Circuit "At The Feast Eternal"

Tonila, Tuxpan, Zapotiltic Cultural scene Tour the city of Tonila: Breakfast and visit to the Ex Hacienda La Esperanza, visit Tonila Parish Temple is a replica colonial style carved stone used for construction, has seen Swiss watch among the few of its kind, Temple San Marcos, modernist baroque and Byzantine motifs. If it is agreed at the time, you can participate in religious festivals in honor of the Virgin of Guadalupe is celebrated from 3 to 12 December in the municipal and San Marcos. (Estimated time: three hours) Tour the city of Tuxpan: Visit the Historic Center of Tuxpan, Atrial view of the Cross dating from the sixteenth century and visit the parish church, Indian House visit, shows typical food of Tuxpan (The Cuaxala) Celebration Indian wedding where the groom dressed in beautiful and intricate costumes, dance performances and Paixtles Chayacates Indians, in the afternoon visit to the Museum Melquiades Rubalcaba. If it matches on dates, visitors can participate in the Regional Competition that takes place Rattles 23 to May 31 and coincides with the festivities of the Lord of Forgiveness. (Estimated time: 4 hours) Tour the city of Zapotiltic: Visit the Historic Center of Zapotiltic, visit the Temple of the former estate of Huescalapa. If the dates coincide with the celebrations of the Lord of Forgiveness in the first two weeks of May, visitors can participate.

C. Cultural Tours "Townships On The Lake's Rivera".

Municipalities comprising the tour Gómez, Farías, Atoyac, Teocuitatlán, Techaluta, Amacueca Cultural scene Farias Township: Visit the Historic Center of San Sebastian, visit the Artisan House (tule crafts)., Participation in workshops. Visitors can

participate if they coincide with the festival of Candlemas on February 2, the Feast of St. Andrew from the 20th to November 30th and the festivities of Our Lady of Refuge on July 4. (Estimated time 1 hour) Atoyac municipality, visit the Historical Centre and view the paintings of Painting. Box .- Painted by Antonio Zamarripa Castellón in 1968. Craft Site visits belts, participation in craft workshops .. If it matches on dates, visitors can witness the Health Festival on Friday of Lent and Carnival, which takes place in the month of February. (Visit estimated at one hour). City of Corona Teocuitatlán: Visit to the Ex Hacienda San José de Gracia and the Indian Pantheon. Are recommended to present the legends about these two scenarios. Visit the historic center of Teocuitatlán, visits to places of crafts and antiques collector blankets, if we agree the dates when you visit the site, you can witness the festivities of the Virgin of Guadalupe from 1 to December 12. (Estimated time 3 hours) Suggested meal in a restaurant Teocuitatlán. Techaluta Township: Municipal Palace Tour 1878 coincides in time If visitors can witness and participate in the most important celebrations in the town that bullfighting are held from 9 to 16 September; religious holidays in honor of St. Sebastian Martyr taking place from 11 to 20 January, and the Pitaya Annual Fair every May for approximately 8 to 15. (Estimated time: one hour). Amacueca Township: Visit the historic center of Amacueca, visit the ruins of the Franciscan monastery, XVII century building facade with twisted columns and gilded altarpiece. Visit to the Holy Name of Jesus, carved wooden sculpture of the sixteenth century. If we agree on the dates you can participate in bullfights on the third Sunday of January, the celebrations of the Holy Name of Jesus on January 8 and carnival that takes place in the month of February.

IV. Cultural Tours"

Municipalities comprising the tour:

Torres Zacoalco,
Atemajac de Brizuela,
Tapalpa

Cultural scene

Zacoalco TOWER: Visit the Historic Center of Zacoalco Torres, visit equipales craft centers, participation in craft workshops, representing Indian wedding. If there is agreement on dates, visitors can witness the Feast of the Virgin of Guadalupe on January 12, the Lord of Health on August 6, and the feasts of St. Francis of Assisi on October 14. (Estimated time: three hours)

Atemajac de BRIZUELA: Visit the Historical Center of Brown Atemajac. If there is coincidence of dates, visitors can participate in the festivities of Our Lady of the Defense of 6 to 9 September, the pilgrimage of the Virgen de la Defense 7 and October 8 and the festivities of St. Bartholomew on 24 August. It is

suggested to eat at this place the typical food, lamb to the shepherd with punch and sweet fruit preserves.

TAPALPA: Visit the historic center of Tapalpa, typical of mountain people, visit the Chapel of the Soledad, visiting the Casa de la Cultura (Parish of San Antonio de Tapalpa) Juanacatlán Temple and Temple of Our Lady of Mercy, visit to the paper mache crafts, visit the Hostal de la Casona del Manzano, visit the Water House, a visit to the Chapel of the Immaculate Conception, visit the Chapel of Solitude.

XII. BUSINESS DEVELOPMENT STRATEGIES OF CULTURAL TOURISM

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

XIII. CONCLUSIONS AND RECOMMENDATIONS

The Sothern Region of Jalisco has important potential elements and resources identified as opportunities and strengths to facilitate the development and promotion as a cultural tourism destination. This paper identifies that there is a need for a theoretical framework to design a normative model of sustainable cultural tourism policy in the Southern Region of the state of Jalisco, México. Cultural tourism stakeholders and suppliers in the Southern Jalisco can benefit from the implementation of a normative model to promote

regional economic development through the creation of employment and poverty alleviation.

A normative model for cultural tourism requires the active participation from the tourist stakeholders, business, government agencies and the community, from inception phase until implementation of a program for developing the potential as a cultural tourism destination. The design and implementation of cultural and heritage tourism programs must promote, preserve and enhance the communities' cultures, folklore, arts, artifacts, etc. Active participation of all cultural tourism stakeholders, governmental agencies and local communities in decision making process, not only legitimates the activities, but provides experience and grounding to design and implement the strategies to pursue the effectiveness of cultural tourism policies (Blench, 1999) and promote responsible and sustainable cultural tourism.

The normative model establishes a set of normative criteria as an approach to achieve functional cultural tourism on the Southern Jalisco. Variables identified in the normative model as weaknesses, strengths, opportunities and threats can assist tourism stakeholders, government agencies, business and the community as a whole, to design and develop cultural tourism products and services and offerings for national and international tourists participating in the cultural market. Any development or promotion of a cultural tourism product needs to be well designed and implemented on the basis of the existing cultural tourism policies. A permanent approach on the practice of sustainable cultural and heritage development is a requirement to spill over the benefits to the local communities.

Cultural tourism brings the best benefits to the development of local community after an effective implementation of cultural tourism policies. The effectiveness of cultural tourism policies must be assessed. Local communities must attempt to manage cultural tourism resources whilst linking them to the development and economic growth.

Local and municipal government plays an important role with respect to cultural tourism for the Region of Southern Jalisco. Besides, the planning, development, promotion, marketing and implementation of these products and services can sustain cultural tourism as an economic activity that can improve standards of living for people on the Southern Jalisco.

The design and development of a normative model is concomitant to a set of recommendations for implementation of cultural tourism on the Southern Jalisco. A cultural tourism must offer intrinsic value for tourism consumption while adding value to local cultural tourism resources. Cultural tourism must offer to fulfill the expectations of tourists with memorable experiences. Cultural tourism on the Sothern Jalisco can be a development tool for creating better conditions of

employment, opportunities for economic development and improvement of the standards of life for the people living in the communities. The recommendations here offered are only an attempt to change the current dysfunctional situation into an efficient system of cultural tourism management based on a normative model.

The development of cultural tourism requires cultural heritage attractions in order to achieve the objectives and preservation of the tangible and intangible cultural heritage. The scope of cultural tourism for the Southern Jalisco may include ethnic tourism and historical tourism, comprising the observation, participation and sharing cultural expressions and lifestyles, dance and music performance, religious ceremonies, visual arts exhibitions, visiting monuments, sites and buildings, etc. Cultural tourism initiatives may succeed in consolidating the ethnographic "gaze" if it designs and develop tour routes involving living and interactive experiences in real life in the townships and cultural houses or centers.

Cultural tourism on the Southern Jalisco can be an opportunity for the local communities to market and promote overseas experience-periods holidays to share and assimilate cultural values and life experiences taking advantage of the weather conditions and the beautiful natural landscape. The design of cultural tourism routes is necessary supported by the necessary to improve the infrastructure. To facilitate promotion and marketing of cultural tourism on the Southern Jalisco it is required easy access to a tourism information management system.

Local tourism information centers at the municipalities play an important role on spreading, guiding and providing assistance to visitors, rendering products and services alive and meaningful and sharing responsibilities with tour and guide operators. Also the roles that play communities, owners of facilities, etc. are vital on these matters. With respect to development, maintaining, promotion and marketing cultural tourism on the Region Southern Jalisco, it is an imperative to design, formulate and implement a public policy-making process.

This paper on cultural tourism addresses the critical shortages of resources, infrastructure and skills amongst tourism stakeholders, business, practitioners, communities, etc., and offers some strategies as recommendations to improve the regional market with new cultural products and services. A differentiation between cultural tourism resources development and cultural production is essential for the design and implementation of cultural tourism strategies.

The implementation of a normative model leads to the development of cultural tourism infrastructure, develop entrepreneurial skills of the community, create opportunities to attract foreign investors and funding agencies, design and implement marketing and promotional strategies, etc., all of which can contribute

to the regional economic development of Southern Jalisco.

Fostering cultural tourism on the Southern Jalisco has a positive impact on developing infrastructure, offering diversified products and services in the cultural tourism market, creation of employment, development of entrepreneurial skills of the community, improvement of living conditions, etc. But most important, the normative model of cultural tourism have an impact on the spatial framework to address the sustainability of cultural tourism on cultural sites and attractions and economic development for the communities creating employment and improving better standards of life for the people.

This analysis may be the start point for further research about cultural and heritage tourism development, marketing and promotion on the Region Southern Jalisco.

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Corporate Governance, Roles, and Future Directions: New Venture Creation of Autonomous and Dependent Entrepreneurial Scientists

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Abstract - A conflict in scientific entrepreneurship has arisen over the propriety of scientific advancements, business governance, and the resulting commercialization of scientific innovations. Some research indicates that the commercialization activities display asymmetric convergence because industry appears to have a more influential role in the exploitation of these innovations. Yet, the research does not differentiate the types of commercialization activities and assumes that all forays into scientific entrepreneurship are comparable. This research aims to explore these contentions and differentiate two groups of scientific entrepreneurs based on their lived experience. This research indicates that, while the essence of the experience is the same, these groups of scientific entrepreneurs have different experiences based on their roles and the conflicts related thereto, witness varying control issues over the fate and delivery of their innovation due to the influences of investor relations, and exhibit differing visions for the future based on their experience. This research provides evidence and advances the theory that scientific entrepreneurs need to be segregated by the influence of their investor relationships because of the differences these relationships impose on their lived experience.

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CORPORATE GOVERNANCE, ROLES, AND FUTURE DIRECTIONS NEW VENTURE CREATION OF AUTONOMOUS AND DEPENDENT ENTREPRENEURIAL SCIENTISTS

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Corporate Governance, Roles, and Future Directions: New Venture Creation of Autonomous and Dependent Entrepreneurial Scientists

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Abstract - A conflict in scientific entrepreneurship has arisen over the propriety of scientific advancements, business governance, and the resulting commercialization of scientific innovations. Some research indicates that the commercialization activities display asymmetric convergence because industry appears to have a more influential role in the exploitation of these innovations. Yet, the research does not differentiate the types of commercialization activities and assumes that all forays into scientific entrepreneurship are comparable. This research aims to explore these contentions and differentiate two groups of scientific entrepreneurs based on their lived experience. This research indicates that, while the essence of the experience is the same, these groups of scientific entrepreneurs have different experiences based on their roles and the conflicts related thereto, witness varying control issues over the fate and delivery of their innovation due to the influences of investor relations, and exhibit differing visions for the future based on their experience. This research provides evidence and advances the theory that scientific entrepreneurs need to be segregated by the influence of their investor relationships because of the differences these relationships impose on their lived experience.

I. INTRODUCTION

The mental image of white-smocked scientists experimenting in stuffy laboratories in pursuit of academic knowledge has become obsolete. Their image once inspired Maslow (1954) to consign their studies to that of identifying, "... impulses to beauty, symmetry, and possibly to simplicity, completion, and order..." (p. 2). Marx believed that their contribution was greater. He remarked that the future of capitalism resides in science because the production of industry depends on it. (1845, trans. 1947). In the modern day, advancement of knowledge while concomitantly participating in the conversion of new knowledge into a commercialization activity, A scientist today is, "the person who can make contributions to marketable products" (Krimsky a period. 2004, p. 1). This is a significant departure from its antecedent stereotype

The new image is mired in the socio-economic realities of the modern day. The context of merely

advancing the body of scientific knowledge has now been enjoined with the dynamic economic environment as well as the motivations of the contemporary government-industrial complex that seeks innovation, technological advancement, and profits. For the scientist, these realities require, "...a shift in orientation from purely academic pursuits to entrepreneurial activity" (Etzkowitz, Webster, & Healey, 1998, p. 13). This suggests a contamination, of sorts, to the theoretically untainted academic motivations of early scientific discoveries.

Many academic scientists, specifically those interested in the pursuit of scientific knowledge and advancements, decry this enjoinment. The concept of "pure" science has historically meant that ties with industry were outside of the scientific norm (Etzkowitz, Webster, & Healey, 1998). With the advancements in high-profit potential industries such as polymer science, biotechnology, and nanotechnology, industry has sought to exploit these technological advancements for economic gain. Yet, many scientists believe as Krimsky (2004, p. x) does that, scientists must remain, "...free and independent investigators... (They) have the responsibility to their discipline and to the public to pursue the best science." It is with this rich and complex debate that the exploration of the lived experience of scientific entrepreneurs begins.

II. BACKGROUND

Some scientists elect to change their career path and engage in entrepreneurial endeavors to promote their innovation, exploit their intellectual capital, or address a need in the marketplace. In so doing, the scientific entrepreneur recognizes a transformative change in their role and realizes a shift in perspective via a planned attempt to revolutionize their lifeworld. These perspectives are demonstrated in the various conflicts of governance and control, disparities in the commercialization of the innovation, and issues related to the future direction of their venture. The extant literature seems to imply that all scientists-turned-entrepreneurs share similar experiences in the new venture creation experience. No attempt has been made

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to differentiate autonomous scientific entrepreneurs (those with primary controlling interest in the venture) and dependent scientific entrepreneurs (those with limited control over the commercialization of their ventures). This differentiation is mired in the interrelationships between the entrepreneur and investor and between entrepreneur and the economic realities of the business world.

A growing body of research suggests the modern socio-economic reality coupled with the intervention of government and industry lure scientific entrepreneurs toward profits that can contaminate the purity of their work (Etzkowitz, Webster, & Healey, 1998). This research explores this view in the context of the lived experience of scientific entrepreneurs that autonomously create their own new ventures versus those that do so under the influence of outside investors. The aim is to discover how these pressures are understood to be significant for autonomous scientific ventures versus more financially dependent scientific ventures. This research evaluates the commercialization experience to explore how scientific entrepreneurs appreciate the realities of role conflict, business governance, and direction of the fate of the innovation which are the primary indices affecting scientific commercialization.

The reflective appraisal of their experience is intended to answer the research question – How does the scientist-turned-entrepreneur perceive the lifeworld changes brought about by the new venture creation experience in terms of role conflicts, corporate governance, and their vision for the future? A better understanding of the scientific entrepreneur's experience is needed information to advance the discourse and address the primary issues of scientific commercialization. This research aims to explore the phenomenon of the scientist-turned-entrepreneur by differentiating the commercialization experience of autonomous scientific entrepreneurs in contrast to those that experienced the new venture creation process through investor-led vehicles.

III. THEORETICAL REVIEW

The research attempts to differentiate the entrepreneurial scientist has had its share of difficulties because of the disparities between academic scientists and those scientists desiring commercial endeavors. Scientists that deliver, "...commercial outcomes tend to be rather different than those who are accustomed to producing academic ones" (Ambos, Makela, Birkinshaw, and D'Este, 2008, p. 1424). Many attempts to classify their behaviors, traits, and their commercialization activities have come under scrutiny by researchers aspiring to understand the scientific new venture creation process.

a) *Attempts To Differentiate Scientific Entrepreneurs*

The unique alternatives available to the university scientist inhibited much of the research into scientific entrepreneurship. These alternatives included fellowships, scholarships, grants, and endowments that were designed to keep the scientist at the university (Samsom, 1990). These alternatives provided a significant filtering mechanism in exporting innovations beyond the walls of the university (Danielson, 1960) and hindered the transmission of scientific discoveries to industry (Bell & McNamara, 1991; Litvak & Maule, 1973). These scientists were able to receive many of the benefits while avoiding some of the difficulties inherent in an external entrepreneurial venture.

Later, social science researchers, sought to differentiate scientific entrepreneurs from other types of entrepreneurs. Samsom (1990) confirmed that scientists have fundamental cultural and behavioral differences that influence the new venture creation process. Likewise, Bell and McNamara (1991) suggested that scientist-lead entrepreneurial ventures outside of the university setting usually involve management insufficiency, monetary problems, and technology flaws in getting a product to market. Commercialization of scientific entrepreneurial endeavors usually include a potential decrease in innovation (Cotgrove & Box, 1970; Kenney, 1986; Etzkowitz, Webster, & Healey, 1998), ineffectual business management (Ahn, 2008), inability to grow (Kenney, 1986), and collaboration inefficiencies (Niemi, 1993). These researchers suggest that there are specific business related problems that influence scientific endeavors and affect their ability to sustain start-up activities.

However, the socio-economic conditions of the contemporary era are believed to expedite some of the commercialization activities. Scientific entrepreneurs have advantages over other entrepreneurs. "They are closer to the future than the rest of us. That proximity to the cutting edge gives them the opportunity to start businesses based on science that are truly breakthrough in nature" (Gaebler Ventures, 2009). Whether they have an advantage or not, the salient aspect of their experience is that exploitation of scientific discoveries by industry in the modern day poses unique difficulties for the scientist but may also provide certain benefits. Researchers then focused their collective attention on the commercialization activities.

b) *The Scientist In Commercialization Activities*

Scientists view commercialization activities different from other entrepreneurs. Scientific entrepreneurs initially consider the aspects of business education, management expertise, accounting, and

training to be of secondary importance and behave accordingly (Litvak & Maule, 1973; Sindermann, 1982). Moreover, organizational design in scientist-lead organizations is less reflective of progressive practices than other executive-lead organizations (Moss-Kanter, 1989). Venture financing, marketing, and planning, are also less developed than in the typical organization (Litvak & Maule, 1973). Issues that were initially considered secondary, are seen as increasingly important including allocation of resources, accounting, and management expertise (Samsom, 1990). Given this, exploration of the post-product introduction, while minimally researched, suggests that these scientific entrepreneurs begin to recognize all functions as important to the success and vitality of the new venture creation process.

The commercialization process imparts a new perspective for the scientist. The role of the scientist changes as does the duties and responsibilities for the survival and success of the new venture. The existing research confirms the requirement for the continued involvement of the scientist (Zucker, 1998; Stuart & Ding, 2006; Phillips & Zuckerman, 2001). The scientist and the innovation cannot be divorced, at least initially, as easily as might occur in other forms of entrepreneurship. The scientist frequently embodies the product, not unlike a brand provides meaning, and cannot easily be changed.

Beyond a mere involvement, Zucker (1998) suggested that scientists must maintain a key role in both the development of the technology as well as the commercialization of the venture. To some in academic circles, this represents a loss to the scientific community. Yet, Zucker (1998) disagrees. Scientists publish more, an indicator of their continued scientific success, during the creation of their entrepreneurial venture than before or after (Zucker, 1998). This begets other discoveries thereby advancing knowledge and permitting further entrepreneurial venture creation.

The importance of these functions is demonstrated in contemporary society where a further emphasis is placed on the importance of the development of sustainable businesses that foster advancement. The role of scientific innovation and the ventures that arise from it imbricates the very fabric of society based on the importance of scientific advancement, social improvement, and the demand for improved goods and services (Vinck, 2010). Because of this, the myriad of issues that surround the industry-government-university interaction have gained increasing importance to foster growth and satiate the needs of a more knowledge-based society (Etzkowitz, 2008). This has lead to shift in the consideration of, not of how much knowledge can be gained but rather, how much money can be made (Molle & Djarova, 2009). The demands of contemporary society and the influence this

wields are at odds with the Mertonian scientific norms that were an integral part of the historic scientific culture.

c) *Exporting Science To Industry*

Collaboration between science and industry is a necessity because of the relationship between fundamental discoveries and product development, production, and marketing. (Greenberg, 2007). Nevertheless, this collaboration, at times, is not without its costs. Scientists go through a transition period where their expectations about science are revised to meet company needs, or, if unable to return to academia; they are fated to the disillusionment of role incompatibility (Cotgrove Box 1970). This role incongruity is rooted in the disparity between their scientific culture and that of the competitive marketplace.

The competitive marketplace deposits other strains on the scientist. Discoveries develop slowly where value is thought to be low and if value high, competing opportunities can lead to appropriation (Zucker, Darby & Armstrong, 2002). The corporate world that stresses profits is therefore pitted against the scientific motivation for knowledge-creation and information building. This creates angst because contemporary science is complex and is often, "financed by, a society that worships money and profits and celebrates personal wealth" (Greenberg, 2007, p. 5).

Exporting science to industry requires the involvement of both parties. However, this equation is not balanced. Kleinman and Vallas (2001) refer to this as asymmetrical convergence because industry appears to have a more influential role in the equation. "It is said today that the scientist who can turn ideas into profits are the ones that are contributing to a better world" (Krimsky, 2004, p. 2). The unidirectional nature of this statement speaks volumes about what is considered important in exporting scientific discoveries to industry in the modern day.

This suggests that autonomy and control over the research and commercialization process is a battleground for those desirous of engaging in a new scientific endeavor. Packer and Webster (1996, p. 427) note that this creates disharmony because, "scientists must exist between or in two distinct social worlds to manage the rewards that academic and patent cultures carry." Beyond these cultural discrepancies, the direction and furtherance of the research oftentimes are a cause for unease to the scientist. "Concerns over autonomy and control as innovations transition from academia to industry pose a significant threat to academic research" (Kleinman & Vallas, 2004). This implies that the scientist will frequently be embroiled in conflicts about the fate and transport of their new venture because of the requisite issues associated with creating a profitable new venture.

The norms of the scientist in the new venture creation process are challenged by the necessary business-related tasks that comprise any entrepreneurial action. Capitalization occurs by securing intellectual property, restructuring research groups, and establishing a corporate vehicle to maximize return (Etzkowitz, Webster, & Healey, 1998). This aspect is typically foreign to the scientist. The corporate vehicles these scientists must choose too can be a source of conflict. A choice must be made between contract or consulting ventures, technology asset firms, and product-oriented companies (Stankiewicz, 1998). Inherent in the efficient operation of these vehicles are business, not scientific, norms at least as Merton (1942) envisioned. Mitroff (1974) demonstrated that scientific research and work practices are influenced by business-related normative systems and these systems, "...not only do not conform to the Mertonian norms but also are point for point contrary to them" (p. 594). Therefore, many entrepreneurial scientists decide, sometimes unwittingly, to enter a lifeworld that is not their own.

IV. OPPORTUNITY, RATIONALE, AND DESIGN

The seminal literature forms the understanding of scientific entrepreneurship in the modern day. Missing is the meaning the experience imparts to entrepreneurial scientists with regard to corporate governance, conflicts, control, and future directions of scientific innovation. An opportunity exists to explore the lived experience of autonomous entrepreneurial endeavors versus those endeavors dependent on outside sources of capital to better understand the scientific entrepreneur's view of the new venture commercialization process in terms of these issues.

a) *Opportunity Statement*

The existing peer-reviewed literature presents little exploratory data about the relevant aspects of the commercialization experience from the perspective of the scientific entrepreneur. Further, the data that does exist implies the commercialization activities impart a subservient relationship of the science to financial interests. These financial interests might be brought about by outside investors or evolve from the monetary needs of the entrepreneur. The lived experience of the scientist that initiates and sustains the venture is also not represented as a subset of the seminal literature. There is an unrealized potential and a gap in the literature in this regard.

The research questions is - How does the scientist-turned-entrepreneur perceive the lifeworld changes brought about by the new venture creation experience in terms of role conflict, corporate governance, and vision for the future? The development

of this research posited other sub-questions. What is the difference in the lived experience of autonomous and dependent scientists-turned-entrepreneurs? How do these entrepreneurs perceive the role of conflicts, firm governance, and future fate of the innovation? How does the experience shape their beliefs and visions of the future? Answering these questions contributes to the existing body of knowledge and expresses the reflexive lived experience in a qualitative postmodernist perspective from the view of the scientist-turned-entrepreneur.

b) *Rationale*

The purpose of this research is to understand the perceptions of autonomous and dependent scientific entrepreneurs based on their understanding of role conflicts, business governance, and visions for the future. Using a lived experience study of successful scientific entrepreneurs, both autonomous and dependent, their reflexive understanding of the new venture creation process is exposed. The knowledge claims of the existing literature is given meaning in today's context because of the entrepreneur's lived experience (Creswell, 2007). This means that the lived experience of these scientific entrepreneurs is considered given their real world experiences and placed into a historic and ethnologic construct. This research is designed to explore their lived experiences, assess what the implications might be for other entrepreneurs and for future research, and provide insight into the phenomena surrounding the scientific entrepreneur's agency in the new venture creation process.

The meaning of the experience that these entrepreneurial scientists endure is at least partially based on the interrelationships inherent in the new venture whether as an autonomous or dependent scientific entrepreneur. Understanding this meaning is necessary for researchers to understand because the scientific entrepreneur a) runs the risk of divorcing themselves from the very cultural roles that heretofore sustained them, b) at risk is the very concept of ethical transparency, and c) the suggestion inherent in these concerns is the belief that the exportation of scientific discovery to industry in the modern day imparts some problems to be solved. Moreover, the continued assumption that autonomous and dependent scientific entrepreneurs have the same experience must be challenged because of the importance to academic pursuits, technological advancement, and social improvement. The differences in the lived experience of these ventures deserve study because of the academic interest in entrepreneurship, importance of industry driving scientific development, and the social insistence on new technological advancements. Given the importance placed on scientific and entrepreneurial

activities in the U. S. and abroad and the dismal success rates in entrepreneurial ventures documented by Headd (2002), a lived experience study is vital to the understanding of the experience of these individuals..

This research incorporates qualitative inquiry to explore the phenomenon of scientific entrepreneurs in the new venture creation process. Phenomenology is a research perspective that is suited to the research question. Likewise, phenomenology is an appropriate platform for exploring the understanding of manifold aspects of a phenomenon (Creswell, 2007). Husserl (1948) suggested that researchers not seek quantitative descriptions but rather return to the meaning of the phenomenon to humans. The human experience is the true reality in the context of the human mind. Therefore, this research seeks the essence of the experience from the perspective of those successful scientific entrepreneurs that have endured it. Patterns, trends, or themes, emerged using inductive reasoning in the data collection and analysis.

c) *Research Question, Design, And Context*

Interviews of successful, for-profit scientists that started a new venture were conducted to evaluate the

retrospective assessment of events they deemed important in the success of their ventures. The research sought to gain a thorough understanding of issues related to role conflicts, corporate governance, and vision for the future. The study population was segregated between autonomous scientific entrepreneurs and dependent scientific entrepreneurs. .

Purposeful sampling was used for selection of participants. A sample size of 40 was used where half were autonomous ventures and half were dependent. This sample size is appropriate for this study given the research methodology. Sample size is not as ratio-dependent as in quantitative assessments so the percentage of the population used is less crucial (Creswell, 2007). The participants were all successful scientific entrepreneurs in the Midwestern United States, were still in the same science-related business they founded, had operated their businesses profitably for, at least, the last ten years, and were unfamiliar with the researcher before the interview. Figure 1 presents the participant group relative to their corporate vehicle and longevity.

Entrepreneurial Discipline	Vehicle	Controlling Interest	Longevity
Industrial Hygiene Consulting (2)	LLC's	Owner/CEO	12-14 years
Industrial Hygiene Consulting (2)	C-Corp	Angel Investors	11-15 years
Polymer Science Ventures (2)	LLC/S-Corp	Owner/CEO	10-11 years
Polymer Science Ventures (2)	C-Corp	Venture Capital	11-12 years
Geologic Consulting (3)	LLC/S-Corp	Owner/CEO	10-12 years
Geologic Consulting (3)	C-Corp	Angel Investors	11-15 years
Laboratory/Chemistry (3)	LLC/Partnership	Owner/CEO	12-14 years
Laboratory/Chemistry (3)	C-Corp	Investment Firm	13-19 years
Biologic Consulting/Research (2)	S-Corp's	Owner/CEO	12-14 years
Biologic Consulting/Research (2)	C-Corp	Venture Capital	10-11 years
Environmental Science (3)	LLC/S-Corp	Owner/CEO	
Environmental Science (3)	C-Corp	Venture Capital	
Engineering Firms (3)	LLC/Partnership	Owner/CEO	18-22 years
Engineering Firms (3)	C-Corp	Investment Firms	14-16 years
Botany/Horticulture Consulting (1)	LLC/S-Corp	Owner/CEO	10 years
Botany/Horticulture Consulting (1)	C-Corp	Angel Investors	17 years
Health Physics Consulting (1)	LLC/S-Corp	Owner/CEO	12 years
Health Physics Consulting (1)	C-Corp	Venture Capital	16 years

Figure 1: The Participant Group

The firms each accumulate between \$800,000 and \$25 million in annual revenue and provide work for 10 to 250 employees. The firms operating as Subchapter S Corporations were larger where the initial Liability Corporations were, in all cases smaller firms where the initial investment was possible by the owner or where investment did not include ceding control as represented by voting share. The firms operating as

Subchapter C Corporations were larger where the initial investment exceeded \$1 million and control of the venture was shared or exceeded by financial interests such as angel investors, investment firms, or venture capital firms.

A prequalification questionnaire was completed by each scientific entrepreneur to determine that the participant could answer the research question in a

meaningful manner. Interviews capture a multitude of views about a theme in a manifold social perspective (Kvale, 1996). A series of discursive one-on-one interviews were performed to generate rich and detailed data. The objective of interviewing these individuals was to explicate emergent themes representative of their understanding of business governance, control, and direction of the venture.

Emergent themes are a grouping of perspectives that relate across the expressed dialogue of the collective and are consistent among the participant group. The interviews of 40 participants presented themes via the analysis of over 150 pages and 5,500 transcribed lines of text. The data was classified, coded, and analyzed using NVivo™ software. Certain elements represent pervasive themes that emerged from the research although other elements expressed were given equal weight. Irrespective of the persistence, themes are presented so that an inclusionary representation of the experience can be understood.

Researcher bias was minimized using triangulation. Triangulation exposes missing themes and confirms thematic representations. Triangulation is, "...used to show that independent measures agree or, at least, do not contradict each other" (Miles & Huberman, 1994, p. 266). The themes presented in this section were checked using peer review or, according to Denzin (1978), researcher triangulation. After application of pseudonyms to assure confidentiality, a colleague, who was not involved with the data acquisition or a part of the data set, evaluated the thematic representations to consider alternative meanings or additional themes. This research sought, "...convergence among multiple and different sources of information to form themes or categories in a study" (Creswell & Miller, 2000, p. 126). This assists with data validity and credible data reduction.

V. DATA PRESENTATION

Six categorical themes are resident in the lived experience that comprises the scientist's conception of the new venture creation process with regard to role conflict, corporate governance, and the future direction of their ventures. These themes were relatively pervasive across the two groups. Little consistency exists between the autonomous firms and the dependent firms with regard to corporate governance and role conflicts. The prospects for the future of their firms varied based upon the interests of each entrepreneur.

Theme 1: Perceptions of deficient business/managerial expertise.

The first theme resident in the data is a realization of the difficulties associated with the new venture creation process. This theme was omnipresent among the participants. The difference resides in the different types of problems that surfaced.

In the autonomous scientist group, various statements describing the business and management related problems and challenges of establishing a viable new entity indicate this reality. Most of these statements include issues related to personnel management or financial matters such as stories of inadequate cash flow, deficient human resource decisions, ineffective political savvy, and various other real world conundrums. Statements like, "The personnel problems were frequent..." or "Cash flow was killing us," indicate this theme. For one, the problems were more intimate.

The employees in my firm were looking to me to guide this company. At times, I felt wholly unprepared to do so. Many times in those early years, we were hemorrhaging money. The income was not enough. I spent more time with my accountant than I did with my projects, some weeks.

This resulted in a personal appraisal that oftentimes led to an acknowledgement of their lack of preparedness, lack of business adroitness, or the many mistakes made in the business or managerial aspects of running a business.

The dependent ventures were not without similar concerns. The only seeming difference in the incidence of this theme is the description of which business area the problem surfaced. For the dependent businesses, many of the entrepreneurs faced problems related to personnel, finance, organizational development and the like, but they had others to rely on. This is shown in statements like, "We were young and growing so our investors were very important to us" or "Our Board was very patient with explaining the basic HR functions to me." One participant was more candid about the experience.

The organization needed my leadership in so many areas I did not know where to begin. This was far afield from my education. My Board was insistent that I hire an administrator. Even though I was reticent, I did. Turns out, it was a great decision.

In both the autonomous endeavors and the dependent endeavors, business and management problems surfaced often. The scientist's incapacity to manage these issues became tangible in the consequences and penalties caused by their lack of experience. It was not their surprise at this aspect of the new venture creation process that most perplexed the participants, it was the latent realization of the importance of these aspects and the resulting damage their ignorance caused.

Theme 2: Need for the scientist's involvement.

The second theme resident in the data is a realization that the scientist was an integral part of the new venture creation process. Most believed this was a foregone conclusion. For the autonomous ventures, this

reality was represented in the burdens of the start-up. For the dependent ventures, this generated conflicts within the organization.

One participant from the autonomous group put it most succinctly. "I am the business." She went on to state that clients, financial institutions, and the firm's employees believed she personified the venture. This caused consternation because, as she stated, "We are really a producer of (a specific resin) that also does research. The process is pretty clear-cut." She was flattered that others found her to be so indispensable but she believed their description of firm dependency was unfounded. Another participant disagreed.

My employees can try to do this without me and I encourage that. But, not a day has gone by where I am not called on to make both scientific and management decisions. Some of this is because I am the boss. A lot of it is because there is an art to research and it is not all cut-and-dry.

The above implies that the scientist, both because of their role as principal and because of their education, experience, and knowledge is vitally important to the business. Whether they believed the perceptions of others or not, their role as a scientist and principle is necessary for the venture.

The dependent group mostly echoed the comments of the autonomous group. Most scientists, at least initially believed their innovation framed the establishment of their organization. One remarked, "In the early days, I was involved in the construction of this business. I sat in on most board meetings and made important decisions." He later stated that this waned, as the product became more of a commodity. "I retreated to my lab and I am pretty happy looking for new things to research." He later admitted that he liked his involvement with the early establishment of his business. One participant suggested a much more disheartening perspective on this issue.

At times, I felt like a show pony. I was trudging out to every social club, trade show, and high society gala they could make me go to. It was boring and belittling. I was the lead developer and chief operating officer, and I was expected to be a carnival barker.

This perspective, though not to the same extent, was persistent across much of the dependent group. Five suggested that they, "... are still involved with some of the business-related aspects of the venture and still feel instrumental in its development." The need for the scientist to be involved was vital, at least initially, but in the view of the participants, seemed to fade over time. Most of the scientists in the dependent group stated that their involvement in the day-to-day operations of the business was less than they initially expected.

Theme 3 : Role ambiguity

The third theme resident in the data is the desire to seek an understanding and undertake the necessary actions in their position with the company. This theme was suggested by a broad array of participant viewpoints. Though the theme was persistent, the underlying cause varied between the groups.

Most of the autonomous group initially believed they understood the role they had chosen as an entrepreneur though it was not often a positive perception. The understanding became realized in various stories of emotional angst and anxiety. This was evident in statements like, "I stared out the window and wondered what I had gotten myself into" or "We were down to 20-grand and I was getting nervous." One proffered another perspective.

I was finally steering my own ship. I had developed a service, found a partner, bought some equipment, and I was out on my own. I grew into the role. Sure, I had problems but I managed. I liked being both the CEO and chief physicist.

Most of this group underestimated the toll that this new role would extract. Many stories related the amount of time and effort they expended in being both the lead scientist as well as the owner. Yet all stated they understood and accepted the roles they had chosen. Conflict over role ambiguity was present in the dependent group. Most of the discussion evolved to expose some level of disenfranchisement for the scientist. For half, this required extended meetings and, in some, written descriptions of what the company expected from them. Most detailed various stores of misunderstandings between what they thought their role would be in the new venture. One participant's statement reflects most of the group.

My initial conception was that I was a valuable member of the team. I was involved in development of getting the innovation into a sellable product. I was also involved with the marketing and delivery. Once this was complete, I found I was later less involved.

Often this caused consternation for the entrepreneurs. "Later, I was expected to go back to the lab to find something else." Other statements like, "I was only as good as my last invention" demonstrate the thought that the scientist became more involved in the production of new developments verses being aligned with their former innovation. One participant stated his relevant view on other issues of role ambiguity.

I think most of the change in my role was because of my lack of experience. The management team decided I would be better used elsewhere. I did not like this but they had the ear of the Board and that meant a lot. They focused on making money. I was relegated to other areas of the operations.

Most of these scientific entrepreneurs detailed instances of being, "pushed to the back burner" in the business because of the need for the business to become and sustain profitability. This caused dismay for the entrepreneurs. The disparity between their preconceptions and the reality of advancing the business were at odds with their initial conceptions. This often caused discontent for the entrepreneur.

Theme 4 : Vindication, growth and empowerment.

The fourth theme resident in the data is the reflection that the scientist had achieved personal growth through the process in spite of the viewpoints of others. In many, this was demonstrated as vindication that their efforts resulted in a business that was built upon their ideas. In others, it was demonstrated in the revelation of enhanced abilities in the management aspects of running a business. This theme was pervasive, though the underlying cause varied between the groups.

In the autonomous group, the demonstration of this theme was readily apparent. Many entrepreneurs detailed instances of growth and development caused by their accomplishments in creating a successful entity. Many went on to express how they felt their decision to engage in the new venture creation process exonerated their decisions among their family, friends, coworkers, and former peers. In the words of one participant, "I did not receive much support so when the positive results of my work became evident, I knew I had been right and they had been wrong." This led many to the belief that they were better able to handle the myriad of decisions and actions necessary to sustain their entities. One put it in this perspective.

As I look back, I can see that all of the mistakes I made forged my development as a businessperson. I learned to adapt and make solid judgments. I began to look at all my decisions based on the business, not just the science.

The dependent entrepreneurs echoed similar commentary. They suggested many of the same perspectives as the autonomous group.

In my case, I was intimately involved in the business plan. I made decisions on financial requirements, marketing decisions, regulatory requirements, and most other aspects of the business. Later, my role changed but I can still see my handiwork in the success of this firm. I knew it would work and I was right.

Many went on to discuss how the development of their business changed them.

Before, I was just a person in the lab. When I discerned this opportunity, I built it on the science. Later, the success of the firm needed to be based on business. Others suggested I needed to change. I worked very hard to understand that, in all its aspects. That's probably why I'm still involved and have the backing of the Board.

These individuals later suggested that the process fulfilled their intentions and this led to satisfaction. Statements like, "I've grown through the process" and "I have become more well-rounded as a person" demonstrate their logic, though not all of the entrepreneurs believe this came without an alteration in their initial conception.

The firm is more profit-focused than I think it needs to be. Innovation comes in many forms and not all need to be based on which products or services produce the most profit. We actually pass-up on many ideas because they will not generate enough profit. This, I think is a problem. I'm working to remedy this internally.

This rationale is not atypical among this group. The constant focus on how much money a product or service will generate versus the contribution to the public good with less money generation is a persistent cause of concern for this group. The focus on profitability still does not sit well with many of the dependent entrepreneurs.

Theme 5 : Feelings of obsolescence, disinterest and the desire for change.

The groups discussed their personal appraisal of the changes brought about by their creation of a successful entity in a variety of contexts. Once the business was believed to be self-sustaining, the entrepreneurs constructed a mental determination of other possible intentional changes in their lifework. In some, this was based on their success, in others, the basis was a need to alter their situation due to discontent.

The autonomous group detailed their future in light of their success. In all cases, this was framed against their fulfillment by the new venture creation process. Many statements detail this as shown in a thoroughly representative statement of one entrepreneur.

I need to do something else and the business has given me latitude to do that. I have the ability to go off in any direction I so choose. I am starting a new division and I have more time to commit to it since the structure is in place to keep this business going.

Most of these entrepreneurs went on to detail elaborate plans for personal and professional

expansions to their business, changes in their personal desires for new endeavors, and enhancements for differing visions for the future. Most of this was based on the perception that they had outgrown their role and believed there was something more for them to do.

The dependent group also demonstrated this theme. However, in most cases, dissatisfaction framed their motivation to encounter new or differing realities. This is demonstrated by one participant who stated,

I can see that my importance here has passed. This place can run without me. I need to build on my new abilities and I believe I could do this again, in a better way, and on my own terms. In the next five years, I will be a different person again.

Others suggested motivations based on the perception of their existing position. "Returning to just the science is not enough. I am now intrigued with the business aspects too. I saw what these people (investors) did. I can do it too." Others stated that once the science became a business, they became less interested. "I got to the point that I believe this is commodity, you know, like selling oranges or something. I need to get that mental stimulation for the science back." In the case of these entrepreneurs, the conception that the business appropriated the science, became untenable to the scientist though some used this as leverage to expand into other endeavors that were obviously laden with business implications.

Theme 6: Transcendence to other endeavors.

The sixth theme inherent in the data suggests a mental or literal decision to excel beyond this initial foray into entrepreneurship once the entrepreneur achieved success. A central theme of this part of the dialogue is transcendence beyond the status quo. Specific discourse shows this expression in the autonomous group.

I now aspire to new things. Then, I just did stuff. I took up a business and did not fully realize that it would shape my desire for knowledge, my outlook on future interests, or my passions, but it does.

Other fleeting statements also show this perspective. "I now desire new knowledge" or "I continue to expand who I am" show this perspective. In this, the entrepreneurs presented data that inferred that the experience made them believe that other ventures are achievable. Virtually all of the autonomous scientists-turned-entrepreneurs indicated that they would diversify their current business or progress into other, sometimes more elaborate, undertakings.

Most telling is the representation that each scientist-turned-entrepreneur would relive the experience again, either figuratively or literally. An interesting point that was consistent among the

autonomous entrepreneurs was the context of a similar autonomous entity. None of these entrepreneurs suggested seeking outside sources of financing, partners, or other controlling interests.

The dependent group of entrepreneurial scientists stated similar interests. Though, the framing of their new conceptions was different. The framing was that of re-gaining control over the fate and transport of their endeavor. One scientist embarked into a discussion as to why he thinks this way.

I think (the new venture creation process) makes you a mentally healthier person. You know, Jefferson never really conceived the U. S. to be a culture of laborers. He wrote about selling your trade to another man in exchange for goods and services. Working for 'the man' was not in his conception for most of us. I agree with Jefferson in this regard. This makes you a healthy person, knowledgeable, and well rounded. It also makes you want to do it all over again.

In much of the discourse with the dependent entrepreneurs, the discussion was laced with undertones of more independence and control.

I know I am not where I need to be. I envisioned a business where the science was of paramount concern. This is not that venture. I need to revisit my situation and get back to where I thought I was going. You know, a research firm where science drives the end result.

Some of these entrepreneurs were nondescript as to their desires for the future. Transitional phrases like, "I will start another venture...", "I want to expand my business into...", or "I would like to do it again...", reflect this sentiment. Several of the entrepreneurs suggest business transcendence while others state that they will pursue undertakings of a completely different nature. Oftentimes this includes personal expansion into other areas of interest, which require longer-term goals. The satisfaction of this experience appears to lead to a desire for more.

The six themes resident in this study provide insight into the lived experiences of the scientific entrepreneur with regard to corporate governance, conflicts in the commercialization of the innovation, and prospects for the future. Each participant presented a unique experience that differed in the undertaking and attainment of a successful entity. Nonetheless, common themes emerged through analysis of the data. These common themes assisted with an understanding of 'how' the scientific entrepreneurs experienced 'what' they experienced. An acknowledgement of these themes allows researchers to look beneath the textural descriptions and themes to garner a deeper meaning about the phenomenon (Patton, 2002).

VI. SYNTHESIS OF THE THEMES

Themes are presented to facilitate understanding of the data and these thematic representations can be synthesized. Theme synthesis is consistent with Husserl's (1931) concept of phenomenological reduction by consolidation. This consolidation involves an abstraction of the lived experience because this structural portrayal of the emergent themes resides outside of the individual experiences presented in the data (Patton, 2002). Theme synthesis gives rise to specific meanings about the experience of commercializing scientific ventures.

First, most suggested that they have experienced a multitude of issues related to corporate governance. This is readily apparent in theme one, perceptions of deficient business/managerial expertise, because while the autonomous scientific entrepreneur maintains control over the venture, they are less prepared for the rigor of the experience and less knowledgeable about the entrepreneurial process. This is also evident in the dependent group. While this group presents fewer opportunities for management inefficacy by the scientist, the investor group contributed various hardships in corporate governance. The issues related to corporate governance are also presented in theme two, the need for the scientist's involvement. The need for the scientist to be involved was vital. In the autonomous group, this was necessary to manage both the science-related and business-related tasks. This suggests the scientist's role in corporate governance is more complete for the autonomous venture but is also more fraught with hardships due to ineffectual business-related capacities. For the dependent group, the scientists' involvement was necessary, at least initially, though their necessity seemed to wane as the business evolved. This suggests the scientist's role in corporate governance was initially important but subsided as the business became more successful owing to the involvement of the investor groups.

Second, the commercialization efforts generated role conflicts for the scientists. The expressions of conflict were pervasive across the group in theme three, role ambiguity. In the autonomous group, this is evidenced in an on-going and outward display of conflicts whereby the scientist must constantly shift between business manager and lead scientist to handle the myriad of problems that arise. In the dependent group, role ambiguity is more intimate. In this, the scientist's role changes from the preliminarily incessant involvement in most every decision to being relegated to narrower roles once the business becomes self-sustaining. The effects of the commercialization effort too can be seen in theme four, vindication, empowerment and growth. Overcoming their problems, adjusting to cultural norms, and securing an approving

perception by others were seen as critical to the experience of the autonomous entrepreneur. The dependent entrepreneurs suggest their preconceptions about the validity and viability of the business were correct and this suggested the commercialization effort was fulfilling, even though their involvement changed over time. Both suggest the experience identified heretofore unrecognized abilities in understanding and assimilating business-related concerns, pride in their achievements, and value in the commercialization process. This is important because the experience demonstrates the growth of the entrepreneur and elevation in self-confidence leading to empowerment because of the successful commercialization experience.

Third, all detailed their prospects for the future based on the attainment of their successful entity. This is readily apparent in theme five, feelings of obsolescence, disinterest and the need for change. In the autonomous group, this theme took on an affirmative character where the relevance of their history formed the basis for future entrepreneurial ventures of a similar nature. In the dependent group, this theme was also apparent but was framed by obsolescence and irrelevance to the future of the venture. These entrepreneurs admitted that the experience had led to an enhancement of their self-belief such that they have a new perception of what is important and how much work is necessary to attain a successful new venture. Likewise, prospects for the future were presented in theme six, transcendence to other ventures. In the autonomous group, this was presented in statements suggesting exuberance at the thought of recreating similar ventures. The dependent group also displayed this perspective though the context was framed in the desire to regain autonomy and control over the fate of the innovation or direction of a new undertaking. This means the phenomenon brought about the desire for further growth, elaboration of self-directedness, and aspiration to transcend to higher levels of undertaking. Figure 2 presents the meanings, which lead to the exposure of the essence of the experience.

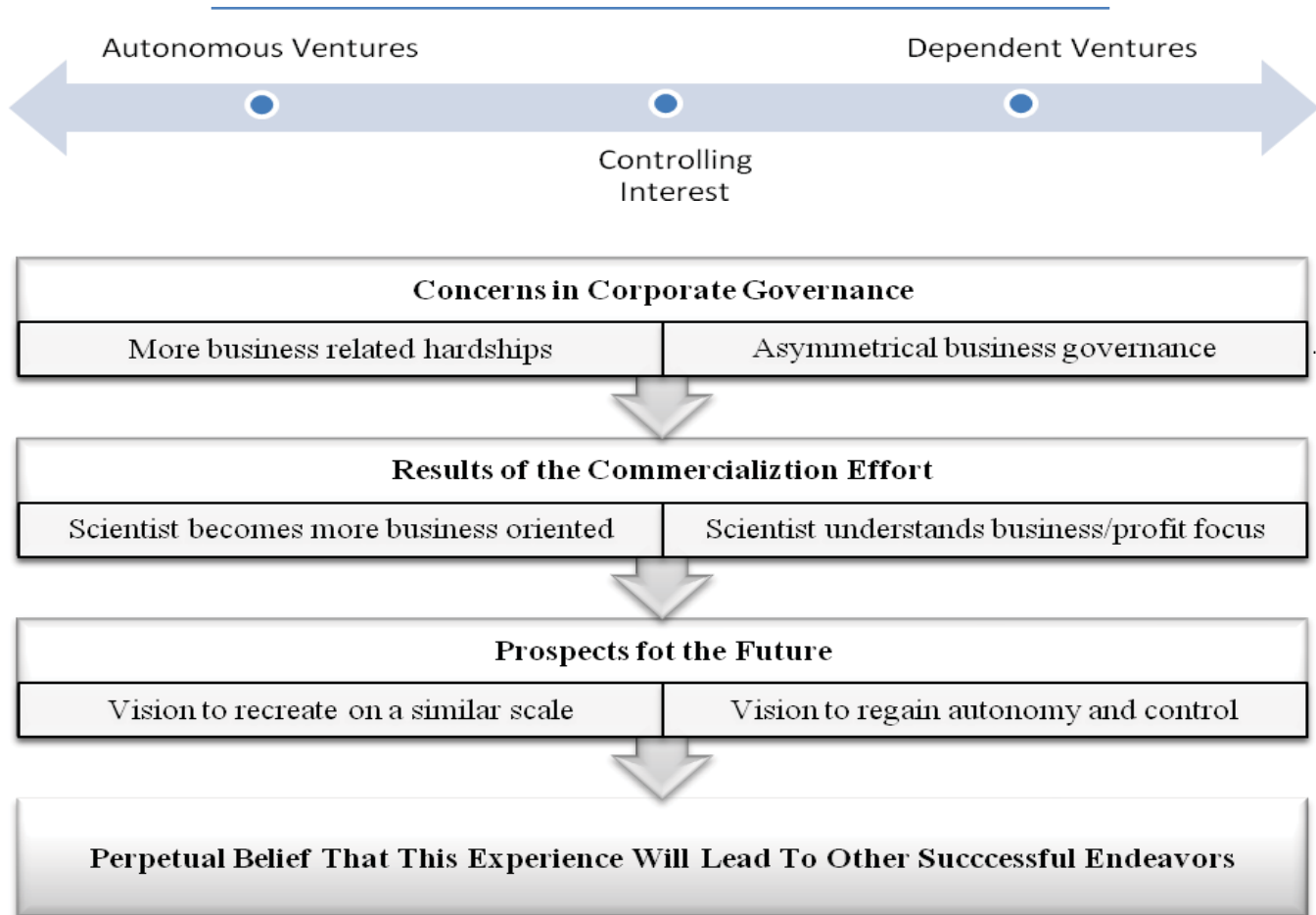


Figure 2 : Meaning and Essence of the Experience

The meanings inherent in the above suggest that the experience, whether through an autonomous venture or a dependent venture share many of the same meanings though expressed through different thematic representations. This leads to, and allows, for a mental distillation of the experience. This distillation is the essence where the experience is "...simply there" according Husserl (1964, p. 9). This essence is inherent in the experience, is present for all successful scientific entrepreneurs of this research, and requires no further elucidation.

VII. THE ESSENCE OF THE EXPERIENCE

The experience is realized in the concerns over corporate governance where the autonomous scientific entrepreneurs display more business related hardships and the dependent scientific entrepreneurs more asymmetrical business governance. Governance presents itself in varying gradations of satisfaction for the autonomous entrepreneurs and dissatisfaction for the dependent entrepreneurs. The experience is also realized in the conflicts that that the process causes.

Successful resolution and placation of these conflicts evolve from experiencing the multitude of perplexities that form their lifeworld in the initial stages of the process and serves to form their decision to engage

in the process again, sometimes with different objectives. This leads to a conceptualization that the process can be replicated and that further accomplishments are possible across a broader spectrum of endeavors. In the autonomous group, this is typically on a similar scale. In the dependent group, the dissatisfaction with the experience precipitates the notion that other outcomes are preferred. In all cases, an affirmation of self-value, enhancement of personal and professional growth, and movement toward self-actualization, advances feelings of empowerment and transformation. Thus, the essence of the experience is a perpetual belief that further entrepreneurial endeavors can lead to similar successful outcomes.

VIII. IMPLICATIONS

The aim of this work is to differentiate the lived experience of autonomous scientific entrepreneurs from those dependent on other controlling interests. This research shows many of those differences in the commercialization process even though the essence is the same. The rationale for this differentiation is based upon the extant literature and the findings of this research. The implications of that differentiation are significant.

First, it is apparent that the role of the scientist

changes consistent with the findings of Zucker (1998), Stuart and Ding (2006), Samsom (1990), and Phillips and Zuckerman (2001). In both groups, a noticeable difference is readily apparent where the role of the scientist in the new venture creation process is ensconced in the necessary business-related tasks that comprise most entrepreneurial ventures. Interestingly, the concept of a loss of scientific norms was virtually absent in the autonomous group in deference to Mitroff (1974). These scientists did not suggest any form of disparity with scientific norms nor did they suggest their work practices were influenced by business-related normative systems. This was apparent in the dependent group and these scientists, found themselves entering unwittingly into a lifeworld that seemed foreign. Over time, the autonomous group became more business focused while retaining much of their utilization as a scientist. In the dependent group, the scientist either adapted to a new business-oriented role or was resigned to other, often less pleasing, roles in the organization consistent with Cotgrove and Box (1970). This might be a rationale as to why scientists publish more during the undertaking due to being pushed to the back-burner by management, consistent with Zucker (1998).

Second, it is apparent that the commercialization process is different consistent with the findings and rationale of Litvak and Maule (1973), Sindermann, (1982), and Moss-Kanter, (1989). Yet, this is more revealing for the business, not necessarily for scientist. In the autonomous group, commercialization was imbedded in the morass of business related problems associated with the scientist-turned-entrepreneur's inefficacies of starting, managing, and sustaining a business. In the dependent group, this notion is enmeshed in the conflicts of business governance.

Third, competitive market pressures for profitability brought about conflicts for the scientific entrepreneur. Entrepreneurs of both groups turned ideas into profits consistent with Krinsky (2004). Inconsistencies were found with the autonomous entrepreneurs in the discourse of Zucker, Darby and Armstrong (2002) where innovation development was predicated on value. These entrepreneurs developed their innovations, most often, with limited consideration of value. The dependent group though was consistent with Zucker, Darby and Armstrong (2002) where innovations developed slowly where value is thought to be low and faster if the value was high. Also consistent with their proposition was the concern over appropriation where competing opportunities were high (Zucker, Darby & Armstrong, 2002). The corporate world that stresses profits is therefore pitted against the scientific motivation for knowledge-creation and information building. Further, the dependent group clearly demonstrated Kleinman and Vallas' (2001)

concept of asymmetrical convergence where investment forces appear to have a more influential role in the business. In the autonomous group, this influence was left to market pressures.

Fourth, the relationship between fundamental discoveries and product development, production, and market acceptance was crucial to the entrepreneur's success in both cases, consistent with Greenberg (2007). However Greenberg's contention that the scientist revises their expectation about the science because of business realities needs to be revisited because it was not suggested in the discourse of the of the autonomous entrepreneur. In this group, it is better termed as an addition versus a revision. For the dependent group, Cotgrove and Box's (1970) contention that this collaboration, at times, resulted in a transition period where their expectations about science were revised to meet company needs, or, if unable to do so, they were fated to the disillusionment of role incompatibility is seen to be consistent. This was not referenced in the discussions with the autonomous entrepreneurs because this role incongruity seemed irrelevant to their scientific culture because operating in a competitive marketplace is a role they accepted.

Finally, the concept of autonomy and control provided an eclectic experience for these entrepreneurs. As could be expected, this theme was subdued for the autonomous entrepreneurs. In fact, at times consternation was evident because of the singular nature of this aspect of the new venture creation process. However, for the dependent entrepreneurs autonomy and control over the research and commercialization process became a battleground because of the dissonance in the expectations of entering a competitive marketplace, working with vested interests, and having to share control over the fate of their venture or innovation. Beyond this discrepancy, the direction and furtherance of the research were notable causes for unease to the scientist as evidenced in the scientists' concern over the value and perception of their innovation consistent with the thoughts of Kleinman and Vallas (2004).

The theory advanced is that investor led scientific entrepreneurial endeavors are different than those led by autonomous entrepreneurial endeavors and should be treated differently. This is because not all scientists engaging in scientific entrepreneurial endeavors share the same experience and resultant outcomes for the future. Further, while the scientist undergoes a role change, this is accepted by the autonomous scientific entrepreneurs as a part of the reality of the life world they have chosen as opposed to the dependent scientific entrepreneurs where this reality is thrust upon them by others. Though success leads to empowerment in both groups, the governance and control over the venture imparts different meaning to the experience. The consequences of the experience

suggest different modes of undertaking future endeavors. The modality of the new undertaking for autonomous entrepreneurs is shown to exhibit the same freedom and control is different for dependent scientific entrepreneurs that seek to erect new ventures that will afford them more control and freedom.

IX. CONCLUSION

This research provides insight into the differences in the new venture creation experience of autonomous scientific entrepreneurs and dependent scientific entrepreneurs. The focus of this research is to explore the differences in the way these entrepreneurs understand the considerations of governance and control, disparities in the commercialization of the innovation, and issues related their future direction. The aim of this research allows for the differentiation of these scientific entrepreneurs based on their lived experience. This study identified many associations with the existing scientific entrepreneurship literature that addresses the current debate about these endeavors in light of the socio-economic pressures for profitability, intervention of government and industry, and the experience these individuals endure in the new venture creation process. Likewise, this study revealed some discrepancies between this research and the research of others so as to suggest avenues for future research into scientific entrepreneurship.

X. ASSUMPTIONS AND LIMITATIONS

The study is limited to successful scientific entrepreneurs that have founded their own autonomous business entities as defined in this work. The chronologic time limits the research to the same socio-economic climate. For this reason, it should not be assumed that all scientific entrepreneurs behave similarly at other times or in other environments.

Qualitative assessments using the phenomenological perspective have assumptions that influence the study. The researcher has a role in the interpretation and consolidation of the data generated from the interviews of the participants. Therefore, the researcher's ability to effectively interpret the data can affect any phenomenological study. In addition, this research assumes that the participants candidly and honestly discussed their experiences in a forthright manner. Further, generalizing the data beyond the sample population is discouraged. The information presented is intended to illustrate the views of this participant group only.

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The Study of Impediments to Successful Exploitation of Some Industrial Units in Ardabil Industrial Town

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Keywords : industrial unit, industrial town, exploitation, Ardabil

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Abstract - Industrial towns play an eminent role in industrial expansion of the region and the country (Iran). Moreover, these units increase the rates of employment. Industrial authorities and custodians have established many basic systems and services in these towns. Despite the existence of infrastructural facilities (such as water, electricity, gas, green field sites etc.) in Ardabil industrial towns, most of industrial units have stopped their activities or their activities are not continuous. The aim of this research is to study the reasons for failures of some industrial units in industrial towns of Ardabil province and to suggest some surveying procedures for decreasing these failures. The hypotheses of this research include difficulties affecting some of industrial units in industrial towns of Ardabil province which taken from research literature. The selected tool for testing research hypothesis was questionnaire, which included 30 questions related to designed hypotheses. These questionnaires were distributed among statistical population (production and business administrators of the industrial units, which stopped their activities). We used one-sampled T-test for testing of hypotheses, and Friedman's test for classifying of hypotheses. The results of hypotheses testing showed that some factors like outlet problems, difficulty in reimbursing of received facilities concerning primary investment, working capitals, and technological problems are effective in inactivity of Ardabil industrial units.

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I. INTRODUCTION:

Surveying the experiences of countries which have been successful in the case of economical expansion indicate that these countries have tried a lot to create suitable base for attracting investors through procedures like designing and developing industrial towns and equipping this towns with the required facilities. In this regard, according to the Iran's law of establishing industrial towns and for suitable using of facilities in industrial towns, creating more infrastructural facilities, and presenting the required services for suppliants of industrial units' construction, the corporation for Iran's industrial towns has established simultaneously with the

approval of this law. According to the statute of industrial towns in Ardabil, the goals of establishing this corporation are the followings: construction of industrial towns in different areas of provinces which are of suitable capability, creating infrastructural facilities in these towns, conducting all tasks which provide harmony and suitable base for using facilities of industrial towns in an automatic way, taking possession of land according to law positive, submission of the exact lands or its profits and absolute transferring of the lands to the volunteers of establishing allowable industrial towns, and supplying of public services in the town such as supplying water, electricity, telephone, surfacing lands, creating main and subsidiary road networks, and constructing public buildings such as clinic, masque, school, green field etc.

Industrial towns have the following facilities and advantages which make them suitable for investment: the existence of suitable land, requiring no certificate from related organizations, exempting from municipality rules, issuing cost-free and in time construction certificate, easy access to internet, decreasing of investing costs due to using organized common services of these towns such as water, electricity, telephone, refinery, in cash or by installment payment of costs related to exploitation right of installations, tax exemption, possibility to rent or buy halls which are useful in accelerating exploitation of productive units etc. These advantages lead to more information exchange among industrial groups, prevent the scattering of industries and environment pollution (Management & Planning Organization, East Azerbaijan province, 2005, P 31).

II. RESEARCH SUBJECT:

In this essay we investigate the reason for the failures of some industrial units in Ardabil province. At the present condition in which the possibility of agricultural expansion is limited but the growth of servicing is very high, also with the growth of population in most of urban and rural area of the country and consequently the growth of unemployment especially among youth, undoubtedly the passivity of these units has a bad influence on Iran's economy. The best option for tackling these problems is to invest in industrial

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section, preventing industrial units from stoppage, and planning by the related authorities to upgrade these units' activities. A financial problem is one of the main issues that the owners of industrial units face with. On the other hand we cannot ignore the role of other factors like nonexistence of correct and scientific marketing, scant perception of market, technical problems, and over-importing of allowable or contraband goods. In this article we investigate some factors like outlet, financial problems (inability in debt payments to individuals or banks, difficulty in accessing to bank facilities, and shortage of working capital), technical problems (old and out of use machinery, inaccessibility to modern machinery and technical deficiency in product line) and irregular importing. Moreover, we identified the related problems tackling which will lead to upgrading of employment level, attracting investors, and preventing industrial units from inactivity.

III. RESEARCH LITERATURE

Industrial towns and branches play an eminent role in industrial foundation of every country, and are regarded as elements which harmonize regional and national expansion plans. The effects of creating regions, industrial towns and branches are considerable from different dimensions, and we discussed economical and industrial effects of it in this article which include:

1. Upgrading industrial capability through mutual relations of industries: Without conducting primary and comprehensive studies in all of its related matters, the success of an industrial town is not possible. One of the main issues which must be considered in these studies (Small Industry Organization Publications, 2001, PP 112-113) is the manner of making relationship among industrial units in the town and also between these industrial units and big industries in the vicinity of the town. Therefore, in designing industrial towns, we must consider the manner of these relationships completely. For conducting important productive activities, the neighboring big industrial units can, for example, allocate manufacturing of some of the required intermediary goods or semi-manufactured equipment to the units in industrial town. Meanwhile, the existing industrial units in town can enjoy from specialized and industrial services of these big industries. Moreover the located industries in the town can apply some of the big units' productions as raw materials in industries like petrochemical etc. About the relationship among units inside the town we can say that whatever the existing industries in the complex are more homogeneous, the more services and facilities will be presented and the more extended relationship will be created among industries. In this situation even buying of bulk raw
2. Acceleration of promoting industrial capabilities of the country: Industrial town play an important role in promoting the level of industrialization capabilities of every country. Because by establishment of towns, industrial expansion is followed from different dimension and with lesser costs, and if this is done through study, planning and comprehensive understanding of the matter, the industrial growth will be accelerated. Some factors like needs, facilities and capabilities of the region and also economical and industrial priorities of every country can be suitable guidelines for presenting a comprehensive plan for industrial towns. Therefore, industrial towns play an eminent role in planning and industrial expansion strategy of every country especially in accelerating the process of industrialization.
3. Increasing the level of employment in region and country: Unemployment is one of the main problems in developing countries, and the main part of this unemployment is observed in undeveloped regions. Undoubtedly, establishment of industries in each region has a great effect on employment level, especially when these industries are concentrated in one area or town in the vicinity of the residential place of those unemployed people. In fact, these towns primarily attract labor force from their vicinity because it is economical. Of course, it is obvious that the degree of employment in an industrial town, due to using common facilities and services, is lower than the time when these units are distributed and not concentrated in a single town. But if we primarily localize industrial towns in a place with high number of manpower, we can take a big step toward eliminating unemployment problems. While distributed industries, create scattered and inhomogeneous employment, which is less effective (Alipour, 2008, PP 101 – 102).
4. Creating the bases for attracting capital: There are always floating capital in different areas of a country

material, common marketing and selling of products etc. are also possible. In fact, these exchanges and relationships lead to saving of place, moreover, another important matter about mutual relationship and cost reduction comes forth: the principle of product specialization. The prerequisite for product specialization in towns is to limit activities in one or two specialized industries. In developing countries, due to nonexistence of uniform and suitable work sharing, the possibility for product specialization is very low, and with regard to the kinds of need if we cannot make a balance between these issues and town specialization, the town may fail in absorbing capital and manpower (Small Industry Organization Publications, P 114).

which are absorbed by sections with low productivity and profitability. If in designing towns the proficiency of industries is considered with regard to region's requirement and towns' flexibility, then industrial towns will be a suitable base for absorbing private capitals. Some factors like suitability of land plots, the lowness of costs for different services such as supplying water, electricity, etc., rapid creation of infrastructural facilities, preparing land and plots, accessing to road networks, transportation and some other services can be very useful in absorbing capitals from the region (Alipour, 1387, P 105).

5. Creating the bases for the growth of small industries: In industrial expansion planning of developing countries, the growth of small industries is very important. Because in these countries due to the weakness of infrastructural facilities, the condition for the growth of small industries is very suitable than heavy industries. On the one hand the applied technology for these industries is very simple, and on the other hand small industries need not to amassive capitals. Therefore, in the case of technology they are relatively independent, and can launch their work simply with absorbing wandering capitals from private section. In fact, industrial towns are a complex of small and medium sized industries which are supplied according to needs and facilities of the region.
 6. Transferring of industries to poor areas and its different advantages: Industrial and economical growth and expansion in poor areas are not attained spontaneously and without planning, because these areas have not the required potential for the growth. Therefore, these inequalities create a wide expansion gap between different areas. For tackling such a problem, we must pay an especial attention to undeveloped areas, especially in long term. One of the methods for applying this policy is the establishment of industrial zones and towns in these regions. This is effective in industrial growth of these regions and in decreasing of expansion gap between different areas. Moreover, it is useful in increasing of employment level and upgrading of its potential which totally effect economical growth of the country and act as a factor which establishes regional balance in the country (Management and Planning Organization, East Azerbaijan, 2005, P 30).
 7. Creating the basis for decreasing the content of primary investments in industrial units: One of the main factors in attracting industry owners' attention toward these towns is to reduce the content of primary investments. Establishment of common infrastructural facilities like supplying water, electricity, road etc., shares the costs of establishing these facilities among industrial units of the town and consequently reduces their primary costs. Moreover, with regard to created facilities, the purchase prices of the plots become cheaper for the industry owners. These facilities act as a support for the lands, and generally increase their value. Moreover, the existence of common servicing and productive facilities in the towns such as repair shops, laboratories for quality controlling, utilities and training facilities etc., eliminate the need to establish them separately and consequently decrease the content of primary and productive investments. Therefore, we can conclude that, due to the existence of such common facilities and services the costs related to establishment, servicing and productive issues is very low in industrial complex. In fact, by establishing industrial towns we prevent reinvestments and consequently accelerate industrial expansion (Alipour, 2008, P 210).
 8. Saving time for investors: One of the main reasons for establishing industrial corporations is to absorb wandering capitals. Some factors like preparation of land, creating infrastructural facilities, and some other facilities are very useful in attaining to this goal. Because the creation of this facilities not only decrease the content of primary and productive investments, which motivate investors, but also save the time for investors in taking a suitable land for establishing productive unit and facilities like supplying water, electricity, road, etc. (Steel consultant engineers, 1988, Vahedi, 1990, PP 64 – 71).
 - a. Commercial processes is primarily defined and then analyzed. If reformation or reengineering is needed, then with different scenarios we start the designing phase (Alipour, 2009, P 173). The criterion for evaluating the success of a plan can be determined through attaining to primary and predicted goals. It is obvious that the degree of success in expansion plan of industrial towns in every country depends on their special social, economical, and political conditions, and existence of the aforementioned differences makes it difficult to compare them exactly. Generally, according to experiences which obtained from activities related to industrial towns around the world, there are some factors which are effective in success or failure of industrial towns.
- We can classify these factors according to the following four principles (Iran's corporation of industrial towns, 1986, Steel consultant engineers, 1988 P 87):
1. Town localizing: Identifying the location where industrial towns must be established is one of the main factors in their success.
 2. Support by government and related authorities: Government can support industry owners and motivate them to invest in the towns through the following ways: direct financial assistance through giving loan and credits for purchasing land, factory

and equipment, creating infrastructural facilities, and tax abatement etc.

3. Social and cultural factors.
4. Other factors which some of them include:

Executing explicit and consistent policies by government with regard to goals of industrial towns and its tendency to motivate investors, the existence of governmental companies which facilitate and accelerate programs related to industrial towns, the existence of financial companies which provide loans and credits with easy and suitable conditions for industrial units, the existence of suitable infrastructural facilities such as water, electricity, and road in the related areas, accessibility to local or near site raw material, accessibility to skilled labor force and training facilities, vicinity to clients and related markets, the possibility to exchange with corporations in and outside the town, and the capability of system in management and organization of industrial town etc. Moreover, there are some considerations in relation to selecting land usage and identifying the kinds of activities in industrial towns. Generally, these considerations are the following: (Management and Planning Organization, East Azerbaijan, 2005, PP 111, 113):

1. Population and social context of the region: population is in direct relation with employment, and employment is one of the main goals which are followed by establishing industrial towns. Population and social context of the region have a great effect on the manner of selecting land usage and industrial activities of the town. In selecting the kind of activity we must consider the potential labor force of urban and rural population centers around the town as a main factor.
2. Productive tendencies of applicants of establishing industry and industry owners: creating new industries in a region and maximum exploitation of the region's capacities and facilities is among the main goals of establishing industrial towns. Productive tendencies of applicants of establishing industry, which appear in different forms, are one of the most important parameters in selecting an industry. Because these tendencies show the region's capacity in relation to raw material, facilities, skilled labor force, and different bases which are not suitably exploited so far.
3. The region's capacities in industry, mine, and agriculture: Recognizing the region's capacities in industry, mine, and agriculture plays an eminent role in choosing the kind of activity in industrial towns. Because the main part of supplying raw materials, which are among the major tasks of industrial units, is provided by agriculture and mines' sections. Therefore, industrial activities must be in conformity with the region's capacities and capabilities.
4. Preparation and supplying markets: the other thing that we must consider in this regard is the vicinity to

supplying centers of raw materials. That is, selecting the place of industries in the town must be in a manner that at least provides the main part of the required raw materials for industrial units from the centers around the town. Meanwhile, the produced material and products in the town must also have markets in the vicinity. Of course, we can not expect that all of the town's products are absorbed by markets and areas around it. But the main part of towns' products can be used by big industrial units around the town in semi-constructed or intermediate form. Generally we must not ignore the economical aspects of the recent method in establishing industrial towns and choosing their activities.

5. Industrial towns' organization and management: In industrial towns, we can apply management in two distinct bases: a) management during construction or project construction; b) management during usage. The function and responsibility of management in these two periods with regard to their identified goals is different. On the other hand, the responsibility of project manager in its primary form can be limited to providing land, primary surfacing, and its submission to applicants and in its final form can include land preparation, road construction, supplying water, electricity, post services etc. Similarly the management during usage in its primary stage can act as a mayor and its responsibility just limited to some services like submission of land, water, electricity etc., and managing town's public places like restaurant, hotels, salesrooms etc. There must be a difference between long term and short term goals, and also among values, policies and activities that must be changed or eliminated and those which must be continued. It is possible that the majority of a corporation accepts a change, but they are not completely aware of its possible benefits in the long term (Alipour, Ghambari, 2007, P 216). Management of usage period in an industrial town, besides presenting the abovementioned services, in an ideal form can assist the industry owners by the following ways: supplying financial resources, providing the required stuff and tools for operation of industrial units, providing raw materials, providing services about planning and production control, repairing and maintenance planning, ... and the required courses for training stuffs in industrial units. Industrial towns, due to providing intensive services for industrial units, have a positive impact on decreasing their costs (Asghari, 1998, P 54). Also with regard to the concentration of industries in industrial towns, organizing the services is done more easily and burden costs of production such as transportation which contain an important value in firms' expenditure, due to neighboring of industrial units eliminated or decrease intensely (Management

and Planning Organization of Ardabil province, 2006, P 65).

IV. THE IMPEDIMENTS OF EXPANDING INDUSTRIAL TOWNS IN SMALL AND MEDIUM SIZED INDUSTRIES:

If the firm's tasks and measures are done by its own agents they are called internal, otherwise they are considered external. These measures are invasive, if taken for power increasing and for overcoming to challenges, and if are taken for decreasing difficulties and charges, to distance from threats, decreasing or eliminating weakness or deficiencies and for controlling limitations, they are considered defensive (Alipour et al, 2009, P 281).

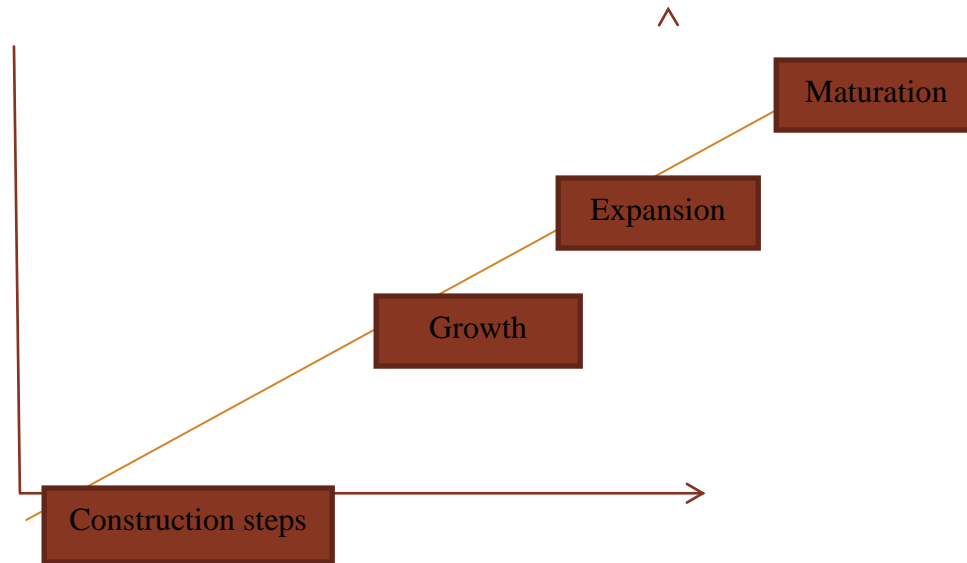
The main bottlenecks on the way of small and medium sized companies are the followings:

1. Market impediments: There are some impediments in marketing of industrial towns:
 - a. The complex nature of contracts between these industries and big ones.
 - b. The existence of exclusive markets in different sections.
 - c. The fluctuation in supply and demand, especially in food industry which is affected by agricultural products.
 - d. Government's subsidies to state firms which create unequal competition.
 - e. Nonexistence of marketing mechanism and consequently weakness in accessibility to national and international distribution channels.
 - f. Purchasing raw material in small scales, which severely affects product processes by fluctuations in raw materials price (Arah, 2001, P 184).
2. Financial bottlenecks: These impediments are because of the followings:
 - a. Nonexistence of specialized banks for supporting small and medium sized companies by giving loan.
 - b. Smaller companies have more problems in providing the required bank assurance for taking loan.
 - c. Increasing financial pressure on small and medium sized companies following government's deflation policies of macroeconomics.
 - d. Delay in receiving incomes from sold products, inability of banks in supplying loan and finance for these companies which leads them toward unofficial and more expensive markets.
 - e. Weakness in foreign investment and shortage of governmental facilities.
 - f. Weak business environment for small and medium sized companies (Codbury, 1992, P 71).
3. Inaccessibility to different information including:
 - a. Marketing information (about foreign and domestic markets, pricing and packaging requirement etc.
 - b. Information about technological and financial condition for assisting investors in choosing sound businesses for investment, and technical and practical information.
 - c. Information about purchasers and providers of raw material (Adams, And Zanzia, 2001, P 134).
4. Government's policies which include:
 - a. Policies which are harmful for small and medium sized companies like assigning subsidies to state firms.
 - b. Small and medium sized industries must refer to different state companies for different reasons; while they are often do not have the required labor force or official skills for effective negotiation with these companies.
 - c. Although the rate of tax is not high in Iran, but its unequal receiving pose some burden on companies with unclear income condition, which encourages tax evasion policies. Generally, the activities in product section are more transparent than trade section.
 - d. Official impediments for receiving charges, and absence of considering and solving of claims stemming from judgment rules (Codbury, 1998, P 18).
5. Legal impediments, which include:
 - a. The complexity of enrolment in economical bids;
 - b. Time-consuming aspect of registering process which last several month;
 - c. Nonexistence of special courts for considering business discrepancies;
 - d. Deterrent business rules;
 - e. Absence of meaningful encoding systems;
 - f. Absence of comprehensive and fixed legal frameworks for small and medium sized companies;
 - g. Equality of tax rules for small, medium, and big industries;
 - h. Abstract and inflexible labor rule (Hampel, 1998, P 18).

Sometimes, we need to specify the main objective of our corporation. One of the ways which leads us to this objective is to design a marketing plan. It is happen very rarely that management consultants choose the best way. They can help in the area of design's process and structure, special investigations for supporting the design or presenting scientific and constructive criticisms for improving the plan. General guidelines for small and medium sized industries:

1. Guidelines for removing impediments on the way of small and medium sized industries: Reformation and creation of the required infrastructures for

expanding small and medium sized industries (Jester and Hussey, 2001, PP 93 – 97).



2. Steps in expansion of an organization

Reformation of rules and procedures for facilitation and expansion of small and medium sized industries, assistance in establishing back up nongovernmental organizations and companies like centers which provide consultation services and road maps for investments, transferring technology, reduction in wastage and production costs, increasing productivity and improving the quality, informing, establishing funds for assuring investing activities, expansion of product chains for developing technology, expanding financial resources through establishing the required monetary and financial centers for small and medium size industries, assisting to technology upgrading, etc.

2. Developing small and medium knowledge-based industries: One of the main factors in establishing knowledge-based units is the presence of entrepreneurs who beside their suitable educations have the capability to create an industrial unit. We must consider training entrepreneurs and entrepreneurship as a main strategy in this arena. The costs for establishing such centers, which are done by the cooperation of reliable universities, must be provided by the qualified centers. Establishment and expansion of incubators for increasing the growth and expansion of small knowledge-based units; these centers which act as supporting agents and provide some parts of primary requirements for industrial towns, do the following activities:
 - a. Providing services for improving product quality and increasing productivity in emerging productive units;
 - b. Providing informational services and assisting the expansion of product chains;
 - c. Training services for expansion of entrepreneurship

management and increasing technical and specialized skills of staffs;

- d. Providing laboratory services and services for centers with common controlling (Jester and Hussey, 2001, PP 93 – 97).
3. Guidelines for increasing productivity in small and medium sized industries: Creating comprehensive informational centers by government for connecting small and medium sized industries to informational networks, developing instruction in small and medium sized industrial units, upgrading technology and updating technological capacity in small and medium sized units, assistance in creation of nongovernmental companies (Porter, 1980, P 121).
4. Guidelines for connecting small and medium sized industries to big ones and to each other, which include the followings: creation and expansion of industrial branches, establishing native, regional, national, and international industrial branches are among the major ways for connecting small and medium sized industries and they must be considered for empowering industrial units, informing industry owners from the advantages of the existing industrial branches, assistance in creating nongovernmental back up companies, assistance in upgrading systems of quality management in contracting industries, leading supports toward contracting and industrial branches in stead of individual industry (Porter, 1980, P 122).

Therefor, following policies are presented for small and medium sized industries:

1. Removing obstacles which prevent the growth of productive companies in Iran's small and medium sized industries through: establishing Capital markets suitable for small and medium sized industries, assistance in creation of companies like

insurance companies which present loan assurance, assistance in creation of consultant companies for giving suggestion in marketing, technical and management issues, presenting financial incentives for upgrading technology and training manpower.

2. Connecting small and medium sized industries to big ones and to each other, assistance in establishing industrial contracting company, assistance in creation of informational networks in small and medium sized industries, passing rules related to commitments of both sides in industrial branches and contracting relationships, passing rules about delay in payments for contractors, assistance in establishment of business corporations, presenting financial incentives in the form of industrial branches, assistance in establishment of companies which give consultation to industrial branches and contractors.
3. Policies for increasing productivity in small and medium sized industries with observing the followings: presenting financial incentives for technology upgrading, presenting financial incentives for training, assistance in establishment of consulting companies.
4. Policies for expanding knowledge-based small and medium sized industries with observing the followings: presenting entrepreneurship training and providing business plans in universities, creating incubators (technological parks) related to universities, presenting consulting, informational, technical and marketing services to knowledge-based industries in the form of incubators (Alipour, 2008, PP 45 – 57).

V. OBJECTIVES

1. To study the reasons for failures of some industrial units in Ardabil industrial towns.
2. Presenting some strategies for abating the impediments which prevent Ardabil industrial towns from successful operation.

VI. HYPOTHESES

Outlet problems (such as transportation costs, distance from selling origins, and the absence of demands from province) are effective in stoppage and inactivity of Ardabil industrial towns.

Problems related to facilities of working capitals (due to their shortage and long period of repayments) are effective in stoppage and inactivity of Ardabil industrial towns.

1. Problems related to repayment of received facilities, accrued liabilities and their penalties are effective in stoppage and inactivity of Ardabil industrial towns.
2. Technical problems (old and out of use machineries, inaccessibility to modern machineries

in product line, and technical deficiency in product line) are effective in stoppage and inactivity of Ardabil industrial towns.

VII. RESEARCH METHODOLOGY

We use descriptive-surveying method in this research and with regard to obviousness of volume in statistical population (the number of inactive companies) we use the following formula:

In which:

N is Population volume;

n is sample volume;

p is proportion in population and $q = 1 - p$;

d is maximum estimated error which is predefined;

z is a value of standard normal distribution which is identified with regard to assurance level.

Since the value of p is not known, we set it in 0.5 and by this way we obtain the maximum value of sample volume.

N	n	Relative error D	Assurance level $1 - \alpha$	z
250	70	0.1	0.95	1.96

As stated before we choose 70 companies with simple random sampling, and then commerce and product managers were taken as final sample. We distribute 140 questionnaires, that is 2 questionnaires for each company and collect 108 numbers of them. Research method was in surveying-descriptive mood and the Cronbach alpha is as the following table for each hypothesis:

Hypotheses	Cronbach alpha
Outlet problems	77
Working capital's problems	81
Problems of reimbursing facilities	83
Technical problems	76

In conducting the present research we faced with different limitations which include:

1. Due to the fact that managers did not trust to the previous researches about the industrial towns they hardly accept to fill the questionnaires in a way that we had to refer several times to the towns for receiving the filled questionnaires and even some refrain from filling them.
2. Geographical dispersion of industrial towns in different areas of the province slackened the process.

Meanwhile, the analyzer must collect the data related to system's inputs and outputs, and the data related to different components of the system, and must have a close relationship with them. Therefore, he is interested in collecting quantitative and qualitative data and must choose the required data and decide whether

the data are suitable and acceptable according to his predefined objectives; he must also choose the manner in which the data must be collected (Alipour et al, 2009, P 268).

VIII. HYPOTHESES TESTING

We used one-sampled t-test for hypotheses testing and its integrated table is as the following. We have compared practical and theoretical mean values in this test and approved all of hypotheses.

Hypothesis title	Sample number	Sample mean	Standard deviation	t-test's statistical value	Degree of freedom	p-value	result
Outlet problems	108	4.2426	0.1861	69.405	107	0.000	The hypothesis is proved
Working capital's problems	108	4.3611	0.2224	63.606	107	0.000	The hypothesis is proved
Problems of reimbursing facilities	108	4.4870	0.3036	50.903	107	0.000	The hypothesis is proved
Technical problems	108	4.0895	0.1926	58.795	107	0.000	The hypothesis is proved

For proving the hypothesis "Outlet problems (such as transportation costs, distance from selling origins, and the absence of demands from province) are effective in stoppage and inactivity of Ardabil industrial towns" we refer to p-value or so called "sig", and with regard to theoretical mean value which was 3 and the practical or observed mean value we can demonstrate that this hypothesis is proved. For proving other hypotheses which include "Problems related to facilities of working capitals (due to their shortage and long period of repayment) are effective in stoppage and inactivity of Ardabil industrial towns; Problems related to

repayment of received facilities, accrued liabilities and their penalties are effective in stoppage and inactivity of Ardabil industrial towns; Technical problems (old and out of use machineries, inaccessibility to modern machineries in product line, and technical deficiency in product line) are effective in stoppage and inactivity of Ardabil industrial towns;" we refer to sig value and practical mean value which was bigger than 3. Therefore, these hypotheses are also proved. For classifying the hypotheses we used Friedman's test. The results are indicated in the following table:

sample number n	Test statistic Chi-square	Degree freedom	of	p-value	result
108	101.997	3		0.000	The H_0 is rejected

Hypothesis titles (independent variables)	Classifying mean values
1 st Hypothesis (Outlet problems)	2.33
2 nd Hypothesis (Working capital's problems)	2.82
3 rd Hypothesis (Problems of reimbursing facilities)	3.26
4 th Hypothesis (Technical problems)	1.58

As you see from the above table the p-value is zero, therefore, we can conclude that the H_0 is rejected at the meaningful level of 5 percent and H_1 i.e. the hypothesis related to inequality of classifying in

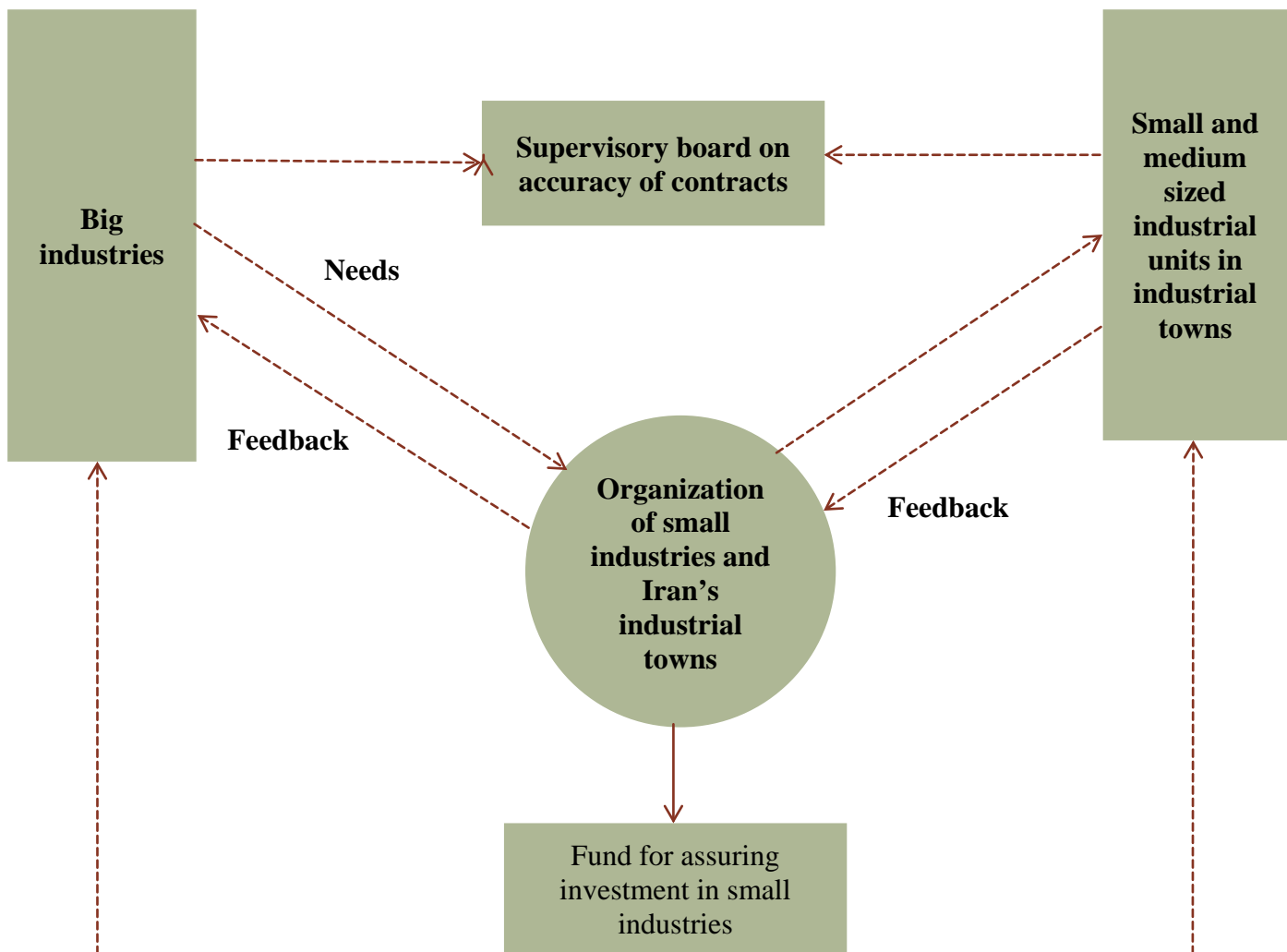
hypotheses is proved by the studied sample. Prioritization of hypotheses according to Friedman's test:

1. 3rd Hypothesis (Problems of reimbursing facilities);
2. 2nd Hypothesis (Working capital's problems);
3. 1st Hypothesis (Outlet problems);
4. 4th Hypothesis (Technical problems).

IX. CONCLUSION

For presenting a comprehensive strategy according to the abovementioned hypotheses and for solving problems related to small and medium sized industries (in comparison to big ones) we present the following model along with some suggestions. With regard to inequality of power in competition

between small and big industries, and due to existence of inequality in using financial, technical, technological, and marketing facilities between them which increase the burden on small industries, it is necessary for industrial and economical planners to decrease the gap between these two important industrial sections through developing cooperation and increasing exchanges between them. In this case we presented the following model which includes big industries, small industries, supervisory board on accuracy of contracts, fund for assuring investment in small industries, organization of small industries and Iran's industrial towns:



Paraphrasing and description on components of exchange model between small and medium sized industries in industrial towns, and big industries:

Big industries: According to some technical and specialized reasons, not all of the components and pieces of product machineries are produced in product units of big industries, and manufacturing them is delegated to small and medium sized industries.

Small and medium sized industrial units, which are specialized in given operations and processes can customize orders of big industries.

Organization for Iran's industrial towns and small industries has the following responsibilities: supervision on the accuracy of contracts between small and big industries, decreasing the discrepancy between these industries, and identifying small and medium

sized industries which meet the needs of some special big industries.

Fund for assuring investment in small industries has the following responsibilities: ensuring the quality of produced goods by small industries, in time delivery of these goods to big industries, ensuring the payments of received goods by big industries, transferring technical knowledge to small industries, and ensuring loan taking by small industries.

By presenting the above model, we introduced a comprehensive strategy about industrial towns and big industries. Now we present some suggestions according to research hypotheses:

1. Presenting some encouraging and executive strategies by industrial towns of Ardabil province for establishing counseling units, which provide marketing, technical, purchasing and buying services, etc.;
2. Industrial custodians in Iran must take some serious measures for preventing irregular entrance of cheap and unqualified goods from some countries and also for preventing contrabands which their importers do not pay any charges, taxes and assurance etc.
3. Creating the required mechanisms for producing goods for export and improving foreign relationships through tax free policies and purposive law of subsidies for exporting companies.
4. Correct using of propaganda tools by industrial units like having a codified, comprehensive, and continuous strategy for publicizing, honesty in publicizing, stating the product's distinctness and its competitive advantages etc.
5. It is suggested that some special credited facilities is placed at the disposal of industrial towns, which would be used during financial crisis and prevent the towns from stagnation.
6. It is suggested that management of industrial towns' corporation in Ardabil province takes the required measures for establishing a fund for securing the donated facilities to industrial units.
7. The time for reimbursing fixed capital's (primary investment's) facilities must be identified according to rate of return in a way that during the primary years of product units' activity in which the return is not complete, the reimbursing amount must be small but increases gradually by the increasing of rate of return. Moreover, it is necessary for legislator to take some measures for decreasing and indulgence of reimbursing amount, and remitting penalties related to accrued installments.
8. It is suggested that the amount of working facilities must be large enough to prevent industrial units from stoppage, also the consumption of these facilities must be under the supervision of bank experts, and the amounts must be used in line with the goals.
9. The managers of industrial units must keep the amount of working capital in a favorable level to use

it in the arising opportunities for investment purchasing raw materials etc. and managed them correctly.

10. There needs financial supports through special facilities for establishing units of Research and Development (R & D) in small and medium sized industrial units, activating the inactive units, and observing product standards like ISO etc. by industrial units.
11. It is suggested that for prevention and management of unexpected problems, some technical, productive, and qualitative evaluations must be taken randomly and intangibly by technical experts in industrial towns of Ardabil province.
12. It is suggested that for establishing system of value chain in similar, homogeneous, and related industries the level of specialty in producing, and selling of industrial units' products must be increased.

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E-Banking Based Facilities to the Modern Living an Empirical Study in Punjab

By Dr. Babli Dhiman, Dr. R. K. Uppal
University, Punjab,

Abstract - Now day's a new culture has been cultivated of not carrying the money with you but still you can buy whatever you want this is known as plastic money culture and become plastic money fanatics. Mostly people are carrying debit/credit cards in their pockets every time for our day to day requirements. But still people are not fully benefited with the advantages of these cards. Therefore this paper is an attempt to find that all features are used by the customers or not. If not than what are the reasons behind that. The paper contains qualitative as well as quantitative analysis. This study is based on information obtained from primary sources which includes 200 customers which are taken from the selected cities of Punjab state names Jalandar, Ludhiana, Kapurthala, Patiala and Amritsar. The customers in the sample include 40 customers each from selected five banks.

Keywords : Debit and Credit Cards, Features, Usage and non-usage, Responsible authority.

GJMBR Classification : JEL Code: G21



Strictly as per the compliance and regulations of:



E-Banking Based Facilities to the Modern Living an Empirical Study in Punjab

Dr. Babli Dhiman ^α, Dr. R. K. Uppal ^α

Abstract - Now day's a new culture has been cultivated of not carrying the money with you but still you can buy whatever you want this is known as plastic money culture and become plastic money fanatics. Mostly people are carrying debit/credit cards in their pockets every time for our day to day requirements. But still people are not fully benefited with the advantages of these cards. Therefore this paper is an attempt to find that all features are used by the customers or not. If not than what are the reasons behind that. The paper contains qualitative as well as quantitative analysis. This study is based on information obtained from primary sources which includes 200 customers which are taken from the selected cities of Punjab state names Jalandar, Ludhiana, Kapurthala, Patiala and Amritsar. The customers in the sample include 40 customers each from selected five banks.

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I. INTRODUCTION

Banks are the financial intermediaries and it appears in several forms. The main services provided by banks includes acceptance of deposits and facilitating loan facilities. In old day's bank provided the services of even the customer can pay their bill through bank. Bank is providing the services of investment to the customer one important service which we cannot ignore that is the service of plastic money which make the customer able to carry any amount from one place to another without putting it into his pocket and use the money anywhere in the world the plastic money refer to the Debit and Credit card. Most banks have chip and Pin card. To use these cards the customer must have PIN and each card has different PIN assigned for use of the card. Today's world the plastic money is very popular in customer due to its benefit of safety security, convenience in carrying and of its liquidity. One of the main benefits of credit cards, for both buyer and seller, is that the transaction is instantaneous. The customers do not need to complete any additional steps to finalize their purchases, and they can make spur-of-the-moment decisions. Basically banks have to type of cards as follows:

Debit Card

Debit card is a card which allowed a customer to access immediate to his fund

electronically. Plastic card giving consumers access to their funds electronically. Debit cards act like checks when paying for goods and services or withdrawing cash at automated teller machines. Debit cards with MasterCard or Visa logos are more readily accepted than checks in many retail establishments. Consumer purchases with a debit card, unlike a credit card, do not offer the convenience of paying over time, because funds are withdrawn immediately (date of purchase with online transactions, or in the next two to three days with Off-Line transactions). Debit card purchases are free of finance charges, making them advantageous for low-dollar purchases.

Common Features Of Debit Card

1. No fuel surcharge many debit card holder need not to pay fuel surcharge while using their debit card for payment transaction
2. Availability of the ATM location all over the world the ATM locations is available in all over the world so immediate requirement of liquidity can fulfill
3. Banking cum shopping facility Debit card has the feature of banking cum shopping facility the debit card holder can shop any outlet where debit card is acceptable.
4. More withdrawal limit for every platinum card holder for Platinum card holder the withdrawn limit is more than any other debit card the maximum withdrawal limit provided by the bank is Rs.2,00,000
5. More amounts required as deposits for platinum card holder the requirement of the deposit amount is more than any other debit card.
6. Cash back offer -The banks are giving some percentage of cash back on debit card while using it in any restaurant suggested by the bank for dining.
7. Globally valid ATM cards almost every visa ATM card is valid globally for transactions.
8. 24*7 hrs. Customer services the bank having good customer service available every time for the card holder
9. Immediate blocking service if the debit card is lost the bank block the debit card on customer request immediately
10. Online bill payment services with the help of debit card the customer can pay its bill immediately

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11. EMI services the holder can avail the EMI services on the deposit amount in his ATM
12. Loan on the amount of Debit card the holder can get the loan on his debit card.
13. Statement slip-The holder can get the statement slip from the bank ATM at any time.

Credit Card

A credit card allows consumers to purchase products or services without cash and to pay for them at a later date. To qualify for this type of credit, the consumer must open an account with a bank or company, which sponsors a card. They then receive a line of credit with a specified dollar amount. They can use the card to make purchases from participating merchants until they reach this credit limit. Every month the sponsor provides a bill, which tallies the card activity during the previous 30 days. Depending on the terms of the card, the customer may pay interest charges on the amount that they do not pay for on a monthly basis. Also, credit cards may be sponsored by large retailers (such as major clothing or department stores) or by banks or corporations. The bank who issued credit card make their profit in three ways: Firstly, they charged interest on unpaid amount. Secondly, they charged an annual fee from the customer. Thirdly, from the merchants the sponsors make money by charging merchants a small percentage of income for the service of the card. This arrangement is acceptable to the merchants because they can let their customers pay by credit card instead of requiring cash.

Common Features Of Credit Card

1. Global acceptance in this study this is found that mostly every card has the feature of global acceptance. The credit cards are world-wide acceptable
2. Fuel Surcharge waiver every fuel credit card has fuel surcharge waiver there can be difference between the reward points. But as per the waiver there are 0%-2.5% fuel surcharge waiver on fuel
3. Cash advance facility the holder can get the cash advance on its credit card.
4. Loan facility on credit card the holder has the facility to get the loan on that
5. EMI Facility the credit card holder can purchase any good on EMI basis through the credit card
6. Insurance benefit: the credit card holder got the insurance benefit on the credit card.
7. Loss Liability: the credit card holder have the facility of blocking the card at the time of its lost and he need not to pay the amount up to certain limit if he registered the complaint within the timeframe.
8. Billing Statement: every credit card holder has billing statement facility which they can get easily by online.
9. Reward program: every credit card has the feature of reward points which the holder can redeem any outlet suggested by the particular bank.
10. Low interest credit card most of the bank having lower interest rate option. These types of card segmented as the name of low interest credit card.
11. Dining credit card:-in this credit card there are benefits or waiver related to having dinner at any hotel suggested by the bank.
12. Railway card: mostly bank that issued railway credit card has the facility to get the waiver in the railway fare up to a certain limit.
13. Joining fee and annual fee: almost every credit card has some joining fee and annual fees range is between 200-500

Above mentioned are the common features of various debit and credit cards offered by selected banks that are Citibank, Standard Chartered Bank, HSBC and State Bank of India (SBI) and Bank of Baroda.

II. REVIEW OF LITERATURE

Jonas (2008) discussed that the credit card holder can take the help of solicitor to write off the credit card unpaid loan. If the loan is too old or before 2007 then it will automatically written off otherwise solicitors can arrange written off loan by taking some fees on that this scheme help the credit card holder to save him in poor credit rating. Jessy (2010) study was based on written off the credit card debt in full. If the debt is old or the customer can be able to prove that any debt is unauthorized then the debt can be written off in full. The author has mainly discussed that if the credit card holder did not informed by the credit card company about the changing interest rate and the charges then the debt will be written off in full. Lamaute (2011) expressed that credit card is the best option when other source of credit is hard to available. Some people are tapping their retirement accounts to pay off their high credit card debt. Tapping one's nest egg should be used only as a last measure, but for those who decide to go that route getting a 401(k) loan may be a smarter move than taking a distribution from an Internal Revenue Service (IRA) or 401K and being hit with taxes and a 10% early withdrawal penalty. That's because with a 401K loan. There are no taxes and penalty on early withdrawal as long as the loan is repaid on time according to the loan terms and less rate of interest. Strauss (2011) expressed the effect of debt written off against the credit card if there is a default in the payment of the credit card instead of giving the debt account in the hand of collection agency hired by the credit card company it is much better to take the help of the lawyer who must be expert in his field and able to arrange benefit of negotiation from creditor for the credit card holder. Maheshwari (2011) expressed that the number of debit card and credit card are going to increase vary rapidly in India. The study was based on

rational statistics and it was proved that the debit and credit card has increased usage in India. This study also provides extensive information on the traditional markets along with the emerging markets.

III. NEED OF STUDY

There were so many studies which are based on the plastic many services but no one has discussed about the usage of all the available features of the cards by customers. This study includes that how many customers are using the complete features of the debit and credit cards. In case of non-usage of some features then what are the reasons behind. And what are those features which are not commonly used by the customers. If there lack of awareness about the usage of available features than who is responsible either government, bank or customer itself to make them aware for the same.

IV. OBJECTIVES

- To study the existing features of the debit and credit cards issued by selected banks.
- To find the reasons behind the usage and non usage of some features of the cards by the customers.
- In case of non-usage of some features than who is

responsible to make the customers aware about the same.

- To find the extra features required to be added with existing features.

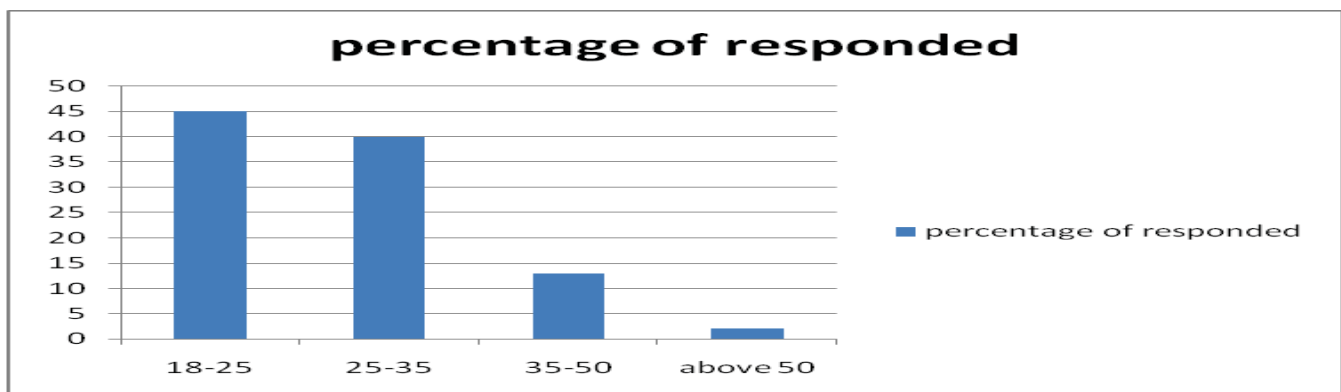
V. RESEARCH METHODOLOGY

As this study is empirical in nature so that primary data was collected with the help of a structured questionnaire. To study the usage of available features of debit and credit cards, primary data was collected from 200 customers, 40 customers from each selected bank in the sample named Citibank, Standard Chartered Bank, HSBC, State Bank of India (SBI) and Bank of Baroda from Punjab state in northern India with the help of convenient sampling method. And secondary data has been collected from internet, journals, articles and other publications. Statistical comparisons are made with the tables, graphs and ratio analysis.

VI. FINDINGS AND INTERPRETATION

Fig 1 shows that 45% of the respondents are from the age group of 18-25 which represents that now banks are targeting this age group also and want to enhance the usage of debit and credit card among youngsters. 40% of the respondents are from the age group of 25-35

Fig 1: Percentage age of respondents



year represents that maximum usage of cards falls under this group which generates income for banks. 13% respondents are from the age group of 35-50 years which shows that mature persons are comparatively don't want to take risk of plastic money usage etc. And 2% are which was very less percentage of the people whose age above 50 and having a debit or credit card cause they are not comfortable in usage of these cards.

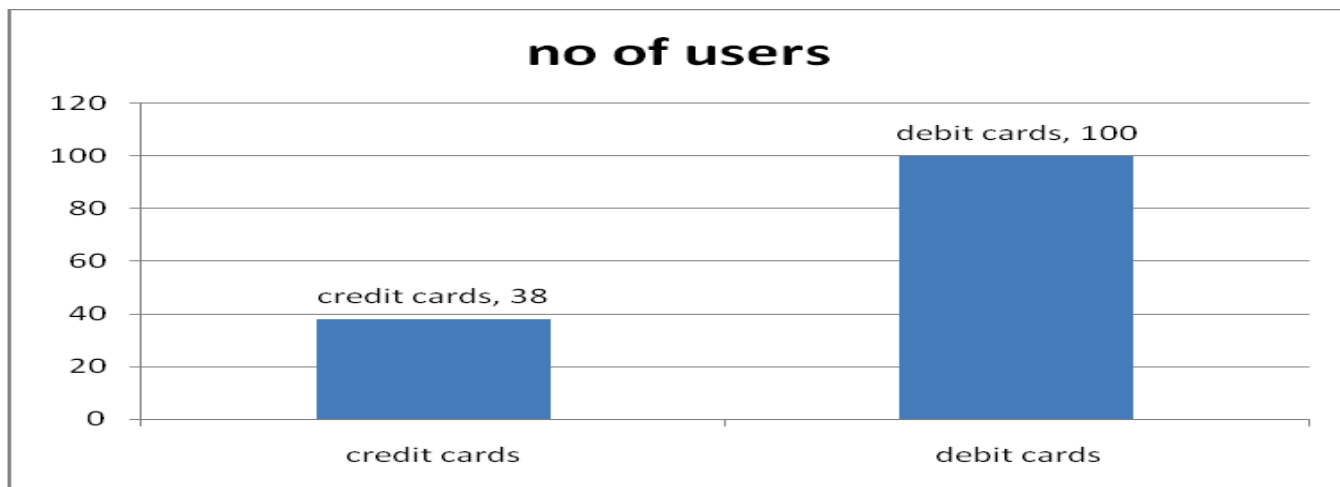


Fig 2 : Percentage No. of Customers Using Credit and Debit Cards

Fig 2 shows that there are more users of debit cards in comparison to credit cards which represents the popularity of debit cards. And main reason behind this is also that customers avoids the habit of impulse buying or buying on credit basis which creates

unnecessary stress and financial burden on their budget. Only 38 % of total users were used the credit card and maximum respondents are business persons as shown in fig 2. Credit cards are more popular in business class in comparison to salaried class.

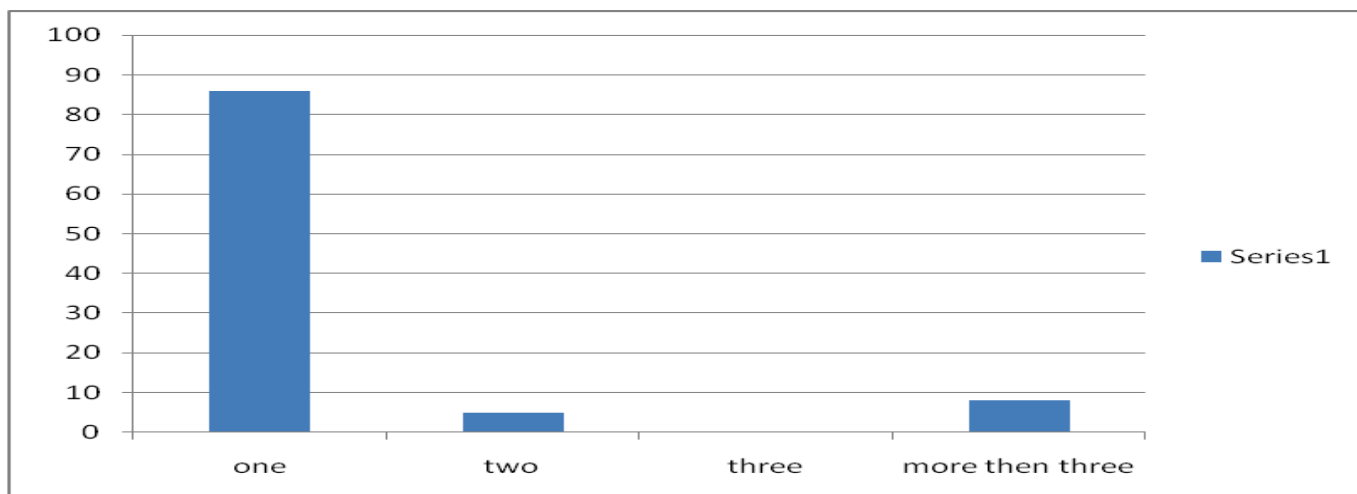


Fig 3 : Percentage Users for Credit Cards

Fig 3 represents that 86% out of 38% total credit card holder (as per table 2) has one credit card and out of which only 25% respondents are salaried class and rest are from business class. 5% respondents have two credit cards. Fig 3 shows 8% respondents have more

than three credit cards and all of these respondents are from business class. The main reason behind the usage of more than one credit card is that the customers are getting an interval time to make their payments.

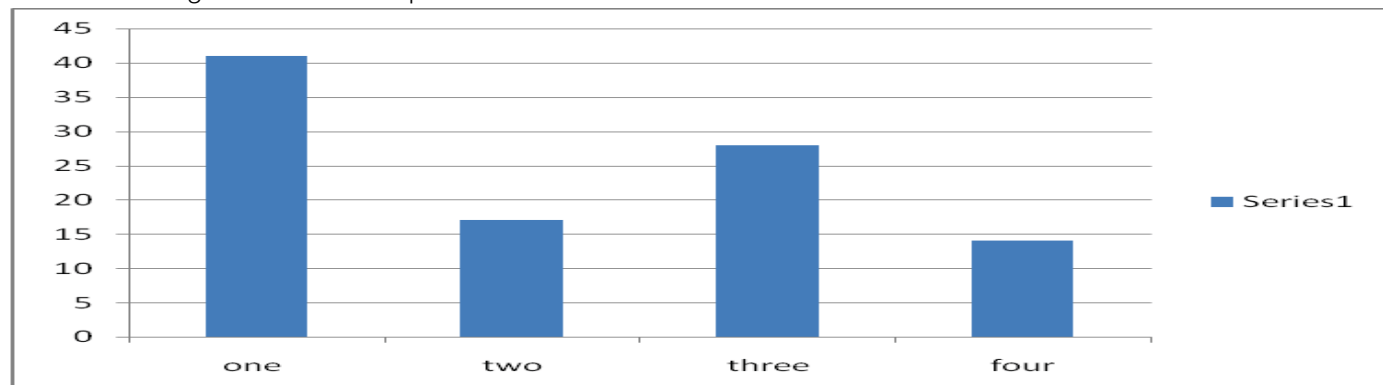


Fig 4 : Percentage Users of Debit Cards

Fig 4 shows that out of 100% users of debit cards (as shown in table 2) 41% Debit card holder has one debit card, 17% debit card holder has two debit cards, 28% debit card holder has three and 14% debit card holder has more than three debit card as shown in

fig 4, the results shows that the popularity of the debit card was more among the user then the credit cards. The main reason behind the usage of debit card is that customer wants to get aware about his exact financial position and spent accordingly.

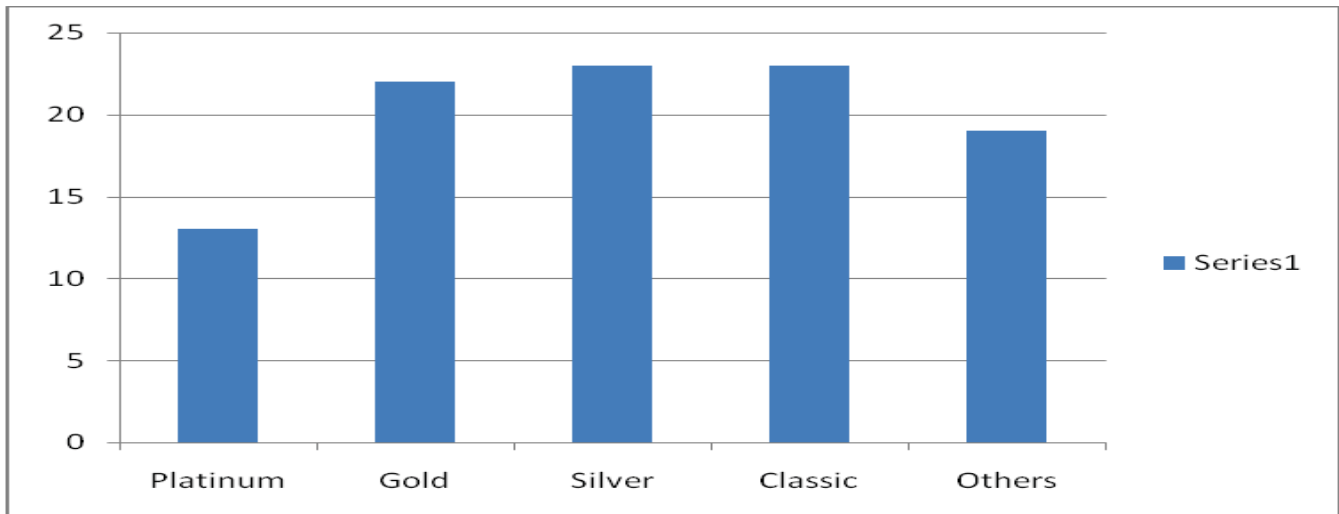


Fig 5: Percentage of Type of Debit Card Users

Fig 5 shows that there was very low difference in the percentage users of gold (22%), silver (23%) and classic (23%) cards. Classic cards are mostly used, by the students, the respondent age 18-25 years. And rests

used by the employees and business class peoples as shown in fig 5. Platinum was comparatively less famous as silver and gold card contains the features of platinum card.

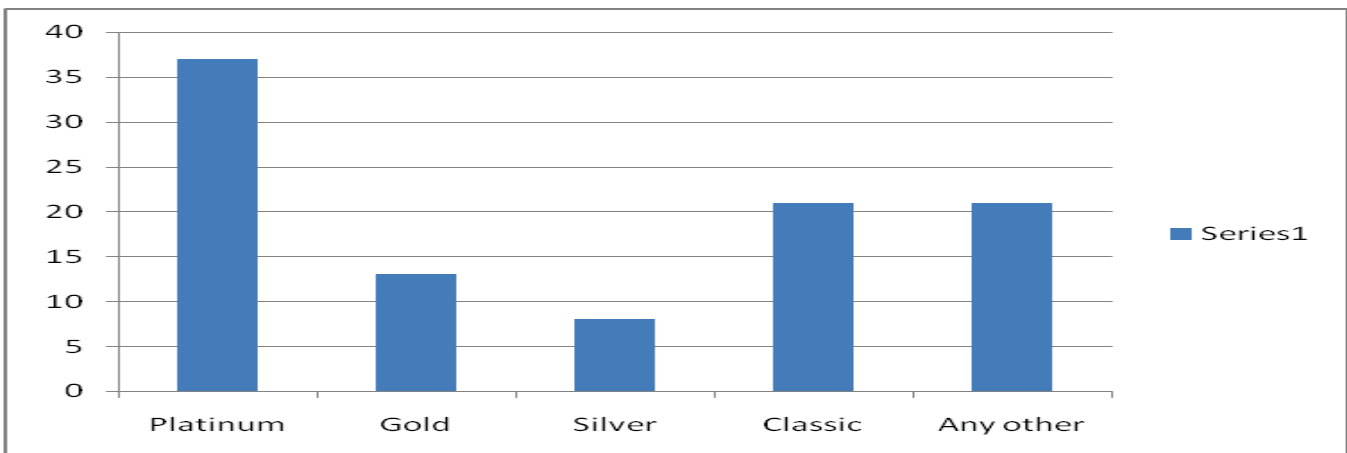


Fig 6: Percentage of Credit Card Mostly Used

According to fig, 37% of the credit card holder has platinum credit card. Platinum was not so famous in Debit card because platinum card has distinct features or it better features than other cards. Whereas 13%, 8%, 21%, 21% of the credit card holder are from gold, silver, classic and any other category respectively as shown in fig 6. Here we also find that only 2% users are from students category and rests from employees and business class.

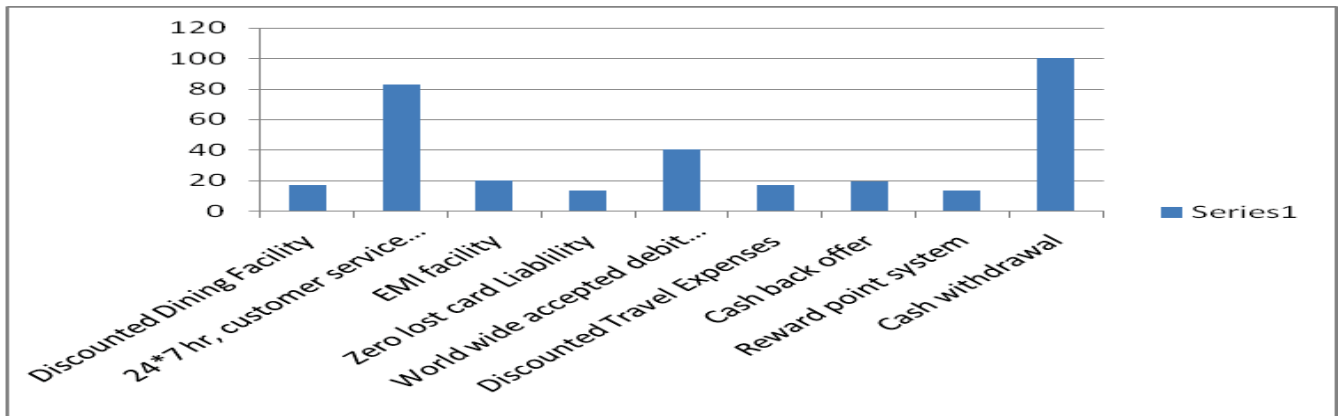


Fig 7 : Percentage of Common Features used by respondents

Fig 7 shows that 100% customers used debit cards only for cash withdrawal from ATM and 83% used for availing the customer services. It shows that people prefer these cards to withdraw their money which saves their time as earlier customers was withdrawing their money from banks only. And now people need not to keep money with them. They can withdraw as per requirement only.

So chances of theft are less and money is also safe in all manners. But customers need to be very careful about their passwords. 40% customers do prefer world-wide accepted cards as shown in fig 7. They are also using the world wide acceptability features. The usage percentage of other features is almost same which shows that only those customers who are aware interested in usage of the features.

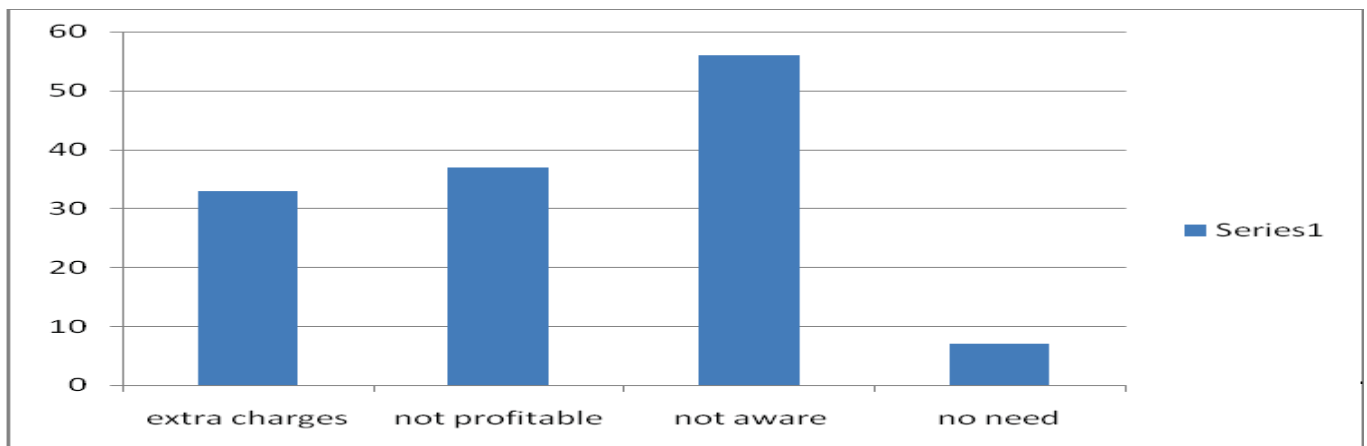


Fig 8 : Reasons Percentage of customers not using the features of cards

Fig 8 shows that 56 % of the customers having debit cards are not using all other features than money withdrawn because they are not aware for other features offered with their cards. It shows that non-usage of all features of cards has one reason that was due to lack of awareness about all the features of the cards. 37 % people responded that the reason behind the non-usage of some features was that those features are not profitable for them. And 33% of total respondents were not used the features of debit cards because banks has extra charges for the same and 7% people thought that they have no need of these features only money withdrawn was enough feature for them.

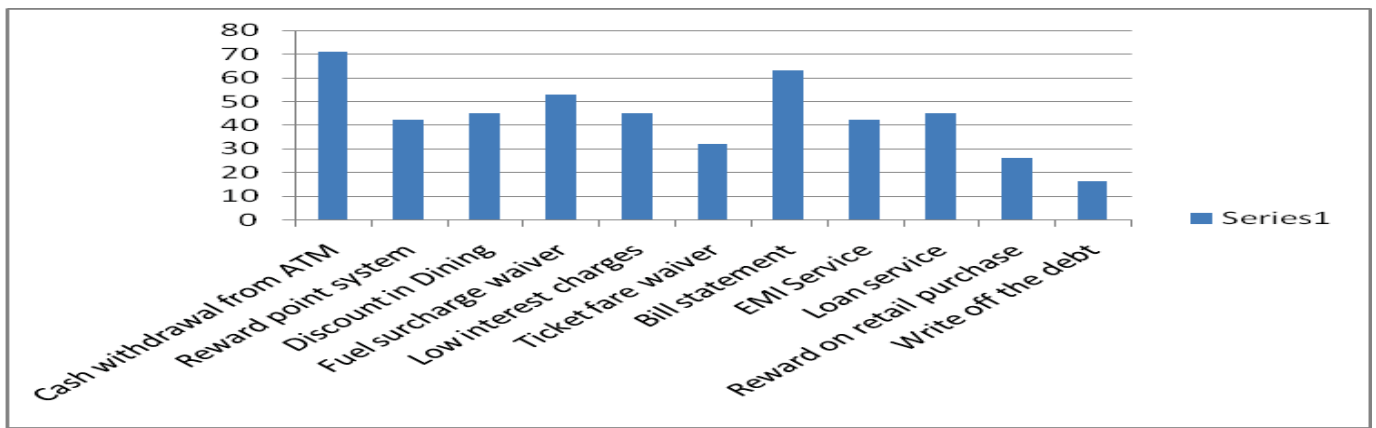


Fig 9 : Percentage respondents using features of Credit cards

It is shown in fig 8 that 71% of the customers used credit cards only for cash withdrawal from ATM. But the basic condition behind that was customers has to pay some charges for the same. 53% customers have used credit cards for fuel surcharge waiver. 42% of the

total credit card holder used the reward point system. Here it was also felt that percentage customer was more who used credit card features in comparison to debit card features.

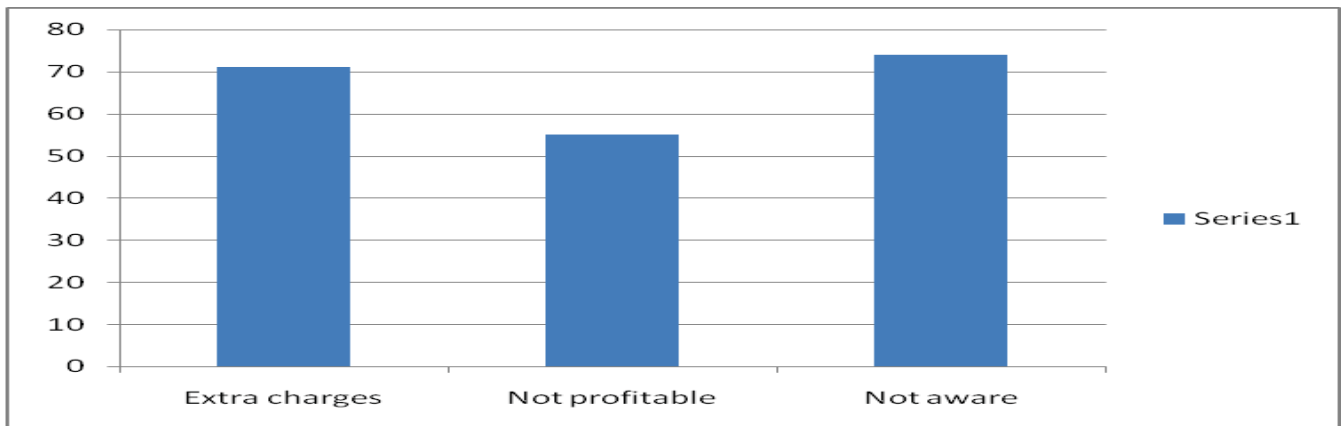


Fig 10 : Percentage of customers with reason who are not using the features Of credit cards

Fig 10 shows that 74% respondents are not aware about all feature of their credit card as we have seen in case of debit card. 71% of the responded says

that bank was taking extra charges for that so they are not interested in these features. 55% respondents said that the services are not profitable.

Table 11: Responsibility to make the respondents aware for the usage of features of Debit and Credit Cards

Responsible	Percentage respondents
Bank	71
Government	3
Self	26

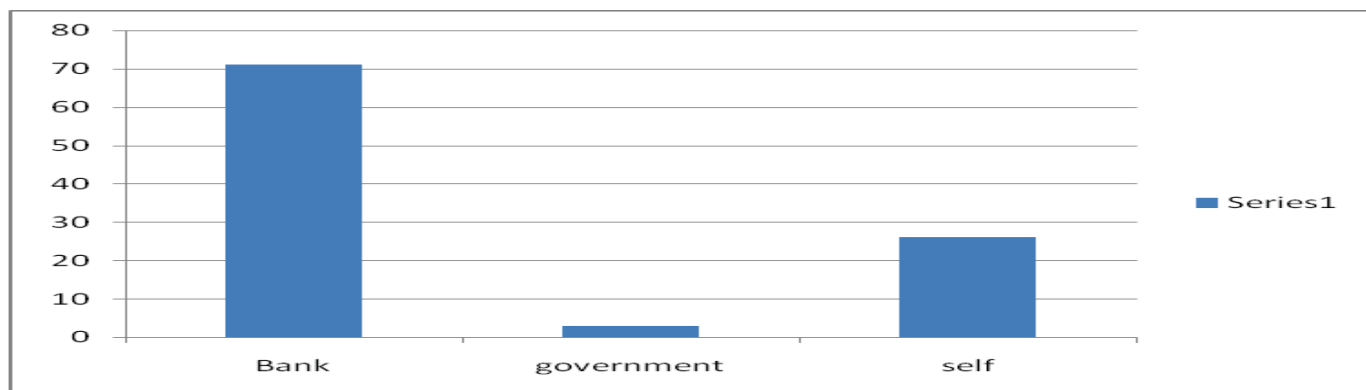


Fig11 : Responsibility to make the respondents aware

It is found in table 8 and table 10 maximum no. of respondents reply that they are not aware about all the features available in their debit and credit cards. Then it has been asked to the all the respondents that whose responsibility was that to make them aware about the usage of the features of cards with them. 71% respondents answered that bank should remind the customer for the features available in their cards, 3% said government (Monetary regulatory authority) should make them aware through advertisements, and 26% answered that it was there own duty to get the information from the bank regarding the features of the cards and to read the available leaflet given with the cards as shown in fig 11.

VII. RECOMMENDATIONS

1. Renewal fees should not be there at the time of card renewal.
2. World-wide accepted credit cards should be offered.
3. Password is required at the time of swapping of cards.
4. Annual fee should not be charged on credit cards.
5. Extra charges should not be there for any add on features.
6. No marketing call should be there.
7. Information should be given by notice.
8. Customer relationship should be strong in public banks.
9. One of the respondent told SBI debit card with world wide acceptance features hasn't worked in Nepal. That type of complaints should be taken care very seriously.

VIII. STRATEGIES TO ENHANCE E-CUSTOMER BASE IN BANKS

1. The bank can convert the non users into users by providing some features free of cost to the customers.
2. Customer Relationship Management should be stronger in all the banks.

3. Credit cards features should be available at lesser charges and if possible some features should be free of cost to make their usage popular as the main reason behind the popularity of debit cards then credit cards is that the debit cards having no annual fee which can generate customer interest.
4. Send features update along with the monthly statement.
5. Arrange customer meeting periodically to get the service feedback from the customers.
6. There should be strong awareness program like advertisements about banking services for the customers.
7. There should a security key or password requirement available for the card holder at the time of swapping. Because at the time of swapping swap machine never ask for password which can be a cause of bad transaction and customer face the problem due to security reasons.
8. No extra charges should be deducting without prior information to the customers about the features available with some charges. Some message alerts can be used for the same.
9. Banking regulatory authority should work for the popularity of usage of swapping machines.
10. Interest rate should be less in credit cards.
11. There should be proper assessing late fees and no charges to the customers for the services which they never ordered like credit insurance.

IX. CONCLUSION

Finally it can be concluded that plastic card facility is good for all but credit cards are very costly in term of more interest charges, annual fees, renewal fees etc. There should be fewer charges for the same and customer should be made aware about the features given by the bank to the customer along with the cards. So that customer is able to use these facilities. And banks should take the responsibility of making their customers aware for the features in cards at proper time and also inform to the customers for all extra charges for their services.

X. IMPLICATIONS OF THE STUDY

This study is very fruitful for the banking sector as they can make their card features better and customer friendly. Banks can also rework on their customer relationship management system as sometimes bank employees behavior is not right with the customer so they never ask for any add on services from bank. Banks can take some more initiatives in the direction of conversion of their non-user customers in user customers which enhance the productivity of the banks. Customers also get benefitted with this study as they can get much better services and good features availability for their routine transactions.

XI. SCOPE FOR FURTHER STUDY

This study also includes scope for further research like Plastic Money Services and Their Impact on Customers Budget, E-Banking- A Study from Male and Female Perspective etc.

Websites

<http://ezinearticles.com/?Can-Credit-Card-Debt-Be-Written-Off-in-Full?&id=4795846>
<http://www.articlesbase.com/credit-articles/solicitors-can-now-arrange-for-your-unfair-loan-or-credit-card-to-be-completely-written-off-653375.html>
http://thephantomwriters.com/free_content/db/l/consolidating-credit-card-debt.shtml
http://www.articlealley.com/article_2100924_19.html?ktrack=kcpink
http://findarticles.com/p/news-articles/times-of-india-the/mi_8012/is_20110217/debit-card-mysteriously-duplicated-mumbai/ai_n56913292/
<http://www.articlesbase.com/banking-articles/online-banking-services-can-help-prevent-long-lines-in-the-banks-3403003.html>
<http://ezinearticles.com/?Can-Credit-Card-Debt-Really-Be-Written-Off?&id=5879916>
<http://archives.chennaionline.com/columns/variety/2007/07/article26.asp>
<http://www.answers.com/topic/charge-card#ixzz1ldE7r9co>
<http://lifestyle.iloveindia.com/lounge/disadvantages-of-plastic-money-5445.html>
www.citibank.co.in
[http://en.wikipedia.org/wiki/HSBC_Bank_\(Europe\)](http://en.wikipedia.org/wiki/HSBC_Bank_(Europe))
<http://www.standardchartered.co.in>
www.hsbc.co.in
www.bankofbroda.com

ANNEXURE

QUESTIONNAIRE

I am conducting a survey on "E-Banking Based Facilities to the Modern Living" for my research paper. Kindly devote some time to answer the questions. This information should be used only for research paper and kept confidential.

Personal profile

NAME _____

AGE 18- 25 ☐ 25-35 ☐ 35-50 ☐ above 50 ☐

GENDER Male ☐ Female ☐

OCCUPATION _____

1. Do you have a Bank Account?

Yes ☐

No ☐

2. What is the name of your bank?

SBI ☐ HSBC ☐ Citi ☐ Standard Chartered. ☐ Bank of Broda ☐

Specify if other ☐

3. How many Credit Cards do you have?

None ☐ One ☐ Two ☐ .Three ☐ More then three ☐

4. How many debit card you have?

One ☐ Two ☐ Three ☐ More then three ☐

5. Which of the Credit Card mostly you used?

Platinum ☐ Gold ☐ Silver ☐ Classic ☐ any other
specify the name

6. Which of the debit card you used

Platinum ☐ Gold ☐ Silver ☐ Classic. ☐ Any other specify ☐
the name

About Credit Card

7. Are you using the following services given by credit card provider Tick right if yes, cross if no

Cash withdrawal from ATM	<input type="checkbox"/>
Reward System	<input type="checkbox"/>
Discount in Dining	<input type="checkbox"/>
Fuel surcharge waiver	<input type="checkbox"/>
Low interest charges	<input type="checkbox"/>
Ticket fare waiver	<input type="checkbox"/>
Bill statement	<input type="checkbox"/>
EMI Service	<input type="checkbox"/>
Loan Service	<input type="checkbox"/>
Reward on retain purchase	<input type="checkbox"/>
Write off the debt	<input type="checkbox"/>

8. If no for any service of following then tick the reason for the same:

	Extra charges by bank	not profitable	not aware	any other reason specify
Reward System	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Discount in dining.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Fuel surcharge waiver.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Low interest rate.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Ticket fare waiver.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Bill statement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
EMI Services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Loan Service.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Reward on retail purchase.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Write off the debt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Cash withdrawal from ATM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

In case of Debit Card

9. Do you using the following services provided by the service provider of your debit card if no then made cross in the box

Discounted dining facility	<input type="checkbox"/>
24*7 hr customer services facility	<input type="checkbox"/>
EMI Facility	<input type="checkbox"/>
Zero lost card Liability	<input type="checkbox"/>
World wide accepted debit Card	<input type="checkbox"/>
Discounted Travel expenses	<input type="checkbox"/>
Cash Back offer	<input type="checkbox"/>
Expanded cash limit	<input type="checkbox"/>
Reward System	<input type="checkbox"/>
Cash withdrawal from ATM	<input type="checkbox"/>

10.If no the tick on the service and tick on the reasons given below

	Extra charges by bank	Not profitable	Not aware	any other specify
Cash withdrawal from ATM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Discounted dining facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
24*7 hr customer services facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
EMI Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Zero lost card Liability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
World-wide accepted debit Card	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Discounted Travel expenses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Cash Back offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Expanded cash limit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

11. If the answer is not aware for the above mentioned features of the card then who is responsible to make you aware for that.

Bank ☐ Govt. ☐ Self ☐

12. Please suggest the feature except above which you think to be required:

In debit card.....

In credit card



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Consumer Perceptions about Fast Food Restaurants in Asaba

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Abstract - The fast food culture is fast expanding in Nigeria. Much of that is attributable to the increasing affluence, rapid urbanization, and changing life styles among Nigerians. Although many of the fast food chains offer similar or undifferentiated products the way and manner their services are provided are critical to gaining competitive edge. In Asaba the Delta State capital, experience has shown that as one new fast food outlet opens shop some of the old ones close, thereby suggesting a “revolving door syndrome” in the fast food industry. This paper therefore, sought to assess the perceptions of customers about service quality in selected fast food restaurants in Asaba. A total of 180 customers were randomly selected and administered a 22 – item structured questionnaire out of which 120 were found useable. An analysis of variance (ANOVA) indicated that the range of products, availability and consistency of products as well as packaging significantly affect customer perception about service quality at .001. Gender and price do not affect customer perceptions about quality of service. The findings further showed that customers patronize fast food for the change and not because of nutritional value. Therefore fast food is not yet perceived as a clear alternative to homemade cooking. Major recommendation is for fast food chains to improve on the nutritional value of their products.

Keywords : Service, Quality, Fast food, Undifferentiated products, Consumers, Homemade meals, local menu.

GJMBR Classification : JEL Code: P46



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Dr. C.G.E. Salami^α, R.T. Ajobo^α

Abstract - The fast food culture is fast expanding in Nigeria. Much of that is attributable to the increasing affluence, rapid urbanization, and changing life styles among Nigerians. Although many of the fast food chains offer similar or undifferentiated products the way and manner their services are provided are critical to gaining competitive edge. In Asaba the Delta State capital, experience has shown that as one new fast food outlet opens shop some of the old ones close, thereby suggesting a “revolving door syndrome” in the fast food industry. This paper therefore, sought to assess the perceptions of customers about service quality in selected fast food restaurants in Asaba. A total of 180 customers were randomly selected and administered a 22 – item structured questionnaire out of which 120 were found useable. An analysis of variance (ANOVA) indicated that the range of products, availability and consistency of products as well as packaging significantly affect customer perception about service quality at .001. Gender and price do not affect customer perceptions about quality of service. The findings further showed that customers patronize fast food for the change and not because of nutritional value. Therefore fast food is not yet perceived as a clear alternative to homemade cooking. Major recommendation is for fast food chains to improve on the nutritional value of their products.

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I. INTRODUCTION

Nigerians were first introduced to fast foods within the context of what obtains in the West by the United African Company (UAC) when they opened MR. BIGGS restaurant in 1987. However, long before then traditional fast foods had been in vogue and continue to be patronized. These include roasted plantain (bolie), roasted/fried yam (dundun), akara, suya meat (beef kebab), and fura de nono (local yogurt). Since the introduction of Mr. Biggs into the fast food industry, consumer acceptance of fast food has continued to increase. These include Tantalizers, Sweet Sensation, Tasty Fried Chicken, Chicken Republic, Mama Cass, Munchies etc. Some of the fast food chains like Mr. Biggs, Tantalizers and Tasty Fried Chicken are now listed on the Nigerian Stock Exchange (NSE). The latest big entrants are McDonalds and

Kentucky Fried Chicken (KFC).

With the exception of McDonalds and KFC none of the other fast food chains are known to operate under franchise agreements, even though many of them have outlets in the major cities of Nigeria such as Abuja, Port Harcourt, Ibadan, Calabar, Warri and Asaba. The city of Lagos remains the headquarters of fast foods in Nigeria, although with the rapid urbanization and expansion of the other cities it means that most expansion in the fast food industry will take place outside Lagos.

Since the 1960s Nigeria has had one of the fastest population growth rates in the world. In 2010 almost half of all Nigerians (70 million) live in cities (Business Wire, 2011). As more people migrate to the already crowded cities the demand for fast food will be expected to increase. To meet the demand many local restaurants known as Bukateria have mushroomed in many of the cities along side the Western-oriented fast food restaurants to serve this added population.

II. STATEMENT OF THE PROBLEM

The consumer's tastes and needs are dynamic, implying that every brand should constantly seek ways to offer freshness in order to remain relevant in the market place. The restaurant industry is no longer divided into clear-cut segments since the services offered do sometimes overlap. Many of the fast food restaurants offer similar products or services. Therefore, the way and manner their services are provided are critical to gaining competitive edge. In Asaba, the capital of Delta State, experience has shown that just as a new The city of Asaba was selected because it is the state capital. Also, because of its close proximity to Onitsha (the commercial capital of neighbouring Anambra State), it experiences a high volume of both human and vehicular traffic. Furthermore, its strategic location as the gateway to the Western parts of Nigeria, it is home to majority of the ethnic groups in Nigeria. Being an oil-producing state it has one of the fastest growing economies in the federation. Fast food outlet opens shop some of the older ones are closing making it appear as if the fast food industry is a “revolving door”. For example, just as Zinos restaurant was going out of business Favourites was opening shop.

The restaurant diner seem to have added some scrutiny to his/her menu perusal and upped what he/she perceives as value. In other words, they have brought more emotion into the cherished but less frequent

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outside dinning experience. In addition to the “feel good” experiences they are also critical of food taste.

The question then is – what is the potential fast food restaurant guest looking for? What must fast food restaurant owner do to be able to project the right image as well as meet the needs of the customers? Because many of the fast food restaurants provide undifferentiated products, service quality becomes a discriminator between superior/inferior product or service. Any service provider that seeks to enjoy comeptitive edge must respond to customer needs so as to promote satisfaction and gain customer loyalty. In otherwords, you must either adapt or die. Consequently, this paper sought to assess the perceptions of customers about service quality in selected fast food restaurants in Asaba. There are several studies that address behavioural service quality, customer satisfaction, and behavioural interntions in fast food restaurant (FFRs) (Brady et al. 2001, Gulbert. et al. 20004; Kara et al. (1995). However, to the best of our knowledge none has focused on the city of Asaba.

III. OBJECTIVES OF THE STUDY

The objective of this study is to assess the customer perceptions about the quality of service in selected fast food restaurants in Asaba. The specific objectives included:

1. Determine the number of fast food restaurants in Asaba
2. Determine the range of products or services provided by the restaurants.
3. Determine how often customers purchase fast foods.
4. Determine the dimensions/attributes of service quality

IV. OVERVIEW OF FAST FOOD INDUSTRY

A fast food restaurant (FFR) also known as a Quick Service Restaurant (QSR) within the industry itself, is a specific type of restaurant characterized both by the fast cuisine and by minimal table service. Food served in fast food restaurants are cooked in bulk in advance and kept hot, is finished and packaged to order and is usually available ready to take away, eventhough seating may be provided. The term “fast food” was recognized in a dictionary by merrian-Webster in 1952.

Some trace the modern history of fast foods in America to July 7, 1912 with the opening of a fast food restaurant called the Automat in New York. The Automat was a cafeteria with its prepared foods behind small glass windows and coin-operated slots. The company also popularized the notion of “take-out” food, with their slogan “less work for mother”. The American company White castle is generally credited with opening the second fast-food outlet in Wichita, Kansas in 1921. Most historians and secondary school textbooks state

that A & W was the first fast food restaurant which opened in 1919 (Grass, 1977). By 1961 Ray Krock bought out the McDonald brothers and created what is now the modern McDonald's corporation. One of his major business strategy was to promote cleanliness of his restaurants to the growing groups of Americans that had become aware of food safety issues. Fast food has generally been designed to be eaten “on –the –go” and often does not require traditional cutlery and is eaten as a finger food. Fast food outlets have become popular with consumers for several reasons. One is that through economics of scale in purchasing and and producing food, these companies can deliver food to consumers at a very low cost. According to the Bureau of Educational and Cultural Affairs ([Http:// exchanges. State.gov](http://exchanges.State.gov)) although some people dislike fast food for its predictability, it can be reassuring to a hungry person in a hurry or far from home.

In his best-selling 2001 book *Fast Food Nation*, schlosser (2001) leveled a broad, socio-economic critic against the fast food industry, documenting how fast food rose from small, family-run businesses (like McDonald brothers' hamburger joint) into large, multinational corporate juggernauts whose economies of scale radically transformed agriculture, meat processing, and labour markets in the late 20th century. He argues further that while the innovations of fast food industry gave Americans more and cheaper dining options, it has come at the price of destroying the environment, economy, and small-town communities of rural America while shielding consumers from the real costs of their convenient meals, both in terms of health and the broader impact of large-scale food production and processing on workers, animals and land.

V. RISE OF FAST FOODS

Because Nigeria is one of the fastest growing economy in the world, coupled with what may be described as emerging aculturation, more fast food restaurants are being established even on smaller scale. The expansion in the fast food industry may be attributed to the following:

Increasing urban migration which affect the younger population who are also more receptive to the fast food concept; increasing Western acculturalization among the populace; the increasing affluence among the people;

1. the changing life styles as indicated by the increasing belief that eating out is part of leisure;
2. the perception among the working class singles (male and female) that fast food is cheaper and perhaps more efficient on their time;
3. the changing demographic composition of the workplace as more women are employed at different levels of the economy;
4. pressure of work and other social activities leave

little room for cooking at home;

5. the expansion of fast food menus to incorporate indigenous dishes provide prospective customers a desired alternative to the Western meals.

Because the fast food industry is highly labour-intensive, they constitute a major employer of labour. Although there is the strong potential for success in the fast food industry there are many challenges facing the industry such as:

1. inadequate number of food processing to add value to items like chicken, meat and fresh fish products, frozen foods and canned vegetables which affect operating costs.
2. Cost of fund remains high and prohibitive due to high interest rates which also contribute to high operating costs.
3. Poor infrastructure including power, poor road network as well as the sometimes overlapping roles of the different tiers of government.

VI. RESEARCH HYPOTHESES

The following hypotheses were formulated to test the perceptions of customers about service quality.

1. H₁: The range of products, cleanliness, and decor affect perceptions of service quality.
2. H₂: Courtesy, respect, and friendliness of employees affect service quality
3. H₃: Consistency and promptness of service affect server quality.
4. H₄: Individualized attention, ease of contact, and understanding the needs of customers affect service quality.

VII. LITERATURE REVIEW

No business exist without customers. In the philosophical words of Peppers and Rogers "The only value your company will ever create is the value that comes from customers – the ones you have now and the ones you will have in future". This is absolutely true. Customer value is an asset to the organization. Munusamy, Chelliah and Mun (2010) argued that in order to maintain the customer, the organization needs to ensure that the right products and services, supported by the right promotion and making it available at the right time for the customers. They argue that customer satisfaction measurement is a post-consumption assessment by the user, about the products or services gained. Consumers tend to organize information at various levels of abstraction which range from simple product attributes to complex personal values. Micuda and Dinculescu (2010) noted that attributes that signal quality have been dichotomized into "intrinsic" and "extrinsic" cues. Intrinsic cues are attributes that are part of the physical composition of the product such as flavour, colour, size, fitness for use, styles and so on. They cannot be changed without changing the nature of the product and

are consumed along with the product. On the other hand, extrinsic cues are attributes that relate to the product, but are not product-specific and can serve as general indicators of quality across all types of products.

Quality in service has been defined as a construct composed of a technical dimension and a functional or rational dimension: the former centres upon what is delivered by the company to the customer – result, whereas the latter refers to the way the service is performed (Gronroos, 1984).

Parasuraman et al. (1988) studied four consumer service industries: long distance telephone, banking, credit cards and an appliance repair and maintenance. They found consistent attributes of perceived quality across the four industries. They included reliability, responsiveness, assurance, empathy and tangibles. Micuda and Dinculescu (2010) argued that the five attributes suffer from at least two major shortcomings. Firstly, they are broad and not industry – specific since they don't provide cues that consumers can use to infer service quality. Secondly, the particular attributes or cues that comprise each dimension vary across service contexts. The five-dimensional structure could serve as a meaningful framework for tracking a firm's service quality performance over time and comparing it against competitors.

Western style fast food franchises are increasingly crossing national boundaries and looking for growth among customers in Nigeria. Nigeria is becoming a major player in the global market because of its size and growth potential.

Service quality is reflected in a consumer's evaluative perception of an encountered service (Cronin & Taylor 1994). Zeithaml and Bitner (2000) suggested that consumers judge the quality of a service based on their perceptions of the technical outcome provided, the process by which the outcome is delivered, and the quality of the physical surroundings where the service is delivered. Today, almost all the FFRS focus on several ways to increase their service quality in order to increase the level of satisfaction among their customers and thus increase their purchase intentions as well as loyalty (Qin & Prybutok, 2008; Gilbert, Veloutson, Goode, & Moutnho, 2004; Kara, Kaynak, & Kucukemiroglu, 1995). When FFRS are able to achieve or exceed the expectations of customers, the customer will be satisfied with the service. Customer satisfaction may be viewed as the individual's perception of the performance of a product or service in relation to his or her expectations. Grilbert et al (2004) argue that service quality measurement need to be done frequently to obtain an accurate current level of service quality provided by a fast food restaurant in order to increase customer satisfaction as well as to encourage customer repurchase intentions towards the restaurant.

According to Leon & Leslie (2006) the degree of satisfaction provided by the goods or services of a firm

can be measured by the number of repeat customers. Tat et al. (2011) posit that intense competition and high quality expectation from customers have forced many fast food companies do transform from a product-centric approach to a customer centric approach. Therefore, understanding each customer's distinct needs and recent service quality level are essential for an FFRS to maintain and enhance their competitive edge. A study by Tat et al. (2011) indicated a strong relationship between customers' perceived overall service quality and customer satisfaction. Diners whose experiences match expectations will be satisfied and where their expectations are exceeded they will be very satisfied.

VIII. METHODOLOGY

The research instrument adopted for this study was a 22 item structured questionnaire. The items were developed based on the attributes of quality proposed by Parasuraman et al. (1988). They include reliability, assurance, responsiveness, empathy and tangibility. The study sought to assess customer perceptions about service quality in selected fast food restaurants (FFRs) in the city of Asaba. They include Mr. Biggs, Sizzlers, Macdons, and Mocwis out of the seven major FFRs in Asaba. The population comprised all those who have had experience patronizing FFRs in Asaba. The sampling techniques adopted was the random sampling which ensured that each member had an equal chance of being selected. A total of 160 questionnaires were administered to customers of the selected fast food restaurants, out of which only 120 (67%) were found usable. The total sample comprised 70 (58%) female and 50 (42%) male (see Table 1) More than 85% of the respondents were between 24 and 40 years old (table 2); while majority of the respondents are married (table 3). Means and standard deviations were used to identify the levels of customers' perceived quality towards FFRs. The five independent variables of empathy, assurance, reliability, responsiveness, and tangibility were tested on their impact on service quality using ANOVA. However, because of the overlap of the two dimensions of reliability and reliability they were merged.

Table 1: Sex of Respondents

Sex	Frequency	Percentage
Male	50	48
Female	70	52
Total	120	100.00

Table 2 : Age of Respondents

Age	Frequency	Percent	Cumulative Frequency
16-23	18	15.0	15.0
24-29	24	20.0	35.0
30-35	23	19.2	54.2
36-41	26	21.6	54.2
42 and above	29	24.2	100.0
Total	120	100.0	100.0

Table 3 : Marital Status

Marital Status	Frequency	Percentage
Single	50	41.7
Married	58	48.3
Divorced	12	10.0
Total	120	100.00

Table 4

Frequency of visit	Frequency	Percentage
Every day	8	6.67
Once a week	47	39.17
Once a month	26	21.67
Twice a week	39	32.50
Total	120	100.00

IX. RESULTS

As shown in Table 4 majority of the customers patronize FFRs once a week

Table 5 : ANOVA

Variables		Sum of Squares	Df	Mean squares	F	Sig.
Tangibles Physical conditions, range of products, served, cleanliness general decor.	Between Groups	15.480	3	5.160	7.913	.003**
	With Groups	75.3645	116	.652		
	Total	91.125	119			
Assurance Courtesy of employees, respect, friendliness, honesty, security credibility	Between Groups	11.535	3	3.845	5.365	.002**
	Within Groups	83.132	116	.717		
	Total	94.667	119			
Responsiveness/Reliability Regularity and consistency of service, willingness and readiness to help customers, and provides prompt service efficiency of recovery of process	Between Groups	3.258	3	1.086	1.276	.016**
	With Groups	98.733	116	.851		
	Total	101.992	119			
Empathy Caring, individualized attention to customers, approachability, ease of control, understanding needs of customers	Between Groups	3.469	3	1.156	4.873	.000**
	Within Groups	27.523	116	.237		
	Total	30.992	119			

** Significant at $P < .05$

Table 5 present the results of customer perceptions about service quality based on the four dimensions of quality. The table shows that the overall services provided by FFRs are favourably perceived by customers. The four dimensions of quality significantly affect customer perceptions about quality. The dimension of tangibility which assessed the range of products, cleanliness, physical condition, and the overall décor of a FFR show a significant value of .003.

Therefore, H_1 which says the range of service, cleanliness, and décor affect customer perceptions about quality was accepted. This means that prospective FFR owners should seek to ensure they provide a range of products in a clean environment. Similarly, the dimension of assurance which include courtesy, and friendliness of employees, respect, and security of customers had a significant value of .002. Therefore, H_2 which sought to test the effect of courtesy

and security was accepted. The implication is that a courteous and friendly employees affect customer perceptions about quality. The dimensions of reliability and responsiveness which include the attributes of consistency and promptness of service significantly customer perceptions at a value of .016. Consequently, the result supports hypothesis (H_3) and was therefore accepted.

Finally, H_4 which tested the dimension of empathy with attributes such as caring, providing individualized attention to customers, ease of contact, as well as understanding customers' needs showed the existence of significant effect on customer perceptions on service quality at .000. This result supports the hypothesis that providing are, individualized attention, approachability, and understanding customer needs affect customer perception about quality, and was therefore accepted.

X. DISCUSSION

The following is the discussion on the findings about the perceptions of customers on the quality of fast food restaurant in the city of Asaba. The study was based on the five dimensions of quality as proposed by Parasuraman et al (1988). These include tangibility, assurance, responsiveness, reliability, and empathy. However, because of the seeming overlap of the attributes of responsiveness and reliability, the two dimensions were merged. The study revealed that all the dimensions were critical to customers' perceptions about the source quality of FFRs.

Research has indicated that service quality has been increasingly recognized as a critical factor in the success of any business (Parasuraman et al, 1988) and the fast food industry is no exception. Service quality has been widely used to evaluate the performance of banking services (Cowling and Newman, 1995). For example the banks (a service industry) understand that customers will be loyal if they can receive greater value than from competitors (Dawes and Siwales, 1999). Chaoprasert and Elsey (2004) have argued that customers can perceive differences in the quality of service they get.

The study revealed that the dimension of tangibility which include the range of products served and the cleanliness of the environment affect customer perceptions about the service quality of a FFR. The implication here is that FFRs should incorporate local menu in order to provide customers a broad spectrum to choose from. Mr. Biggs is beginning to respond in that direction. Respondents were asked to rank the attributes of quality in order of importance. The result indicated that the quality of food, cleanliness, consistency, manner and hospitality of staff as the most important to customers. (see Table 6). This result agrees with a similar study by Chee (2010) of fast food restaurant buying behavior in India. This kind of information can be an important guide for the formulation of correct customer-friendly marketing strategies of a fast food chain.

Table 6 : Ranking of Attributes of Quality

Attributes	Frequency	Percentage
Quality of food	44	36.7
Cleanliness	37	30.8
Consistency	25	30.8
Hospitality of staff	14	11.7
Total	120	100.00

Some respondents were interviewed on whether they perceive fast food as a clear alternative to homemade meals. Out of the 15 respondents, 11 (73%) said that they perceive FFRs as mere outlets for fun and change but believe that homemade food remains their favourite because of the nutritional value and the

hygienic condition which they are made. This findings agree with the result of a similar study by Goyal and Singh (2007) who found that although young Indian consumers patronize FFRs their preference is homemade foods.

Fast foods as the name implies, are for convenience as nobody has to cook or clean up as well as the speed of service. Viewed from this context fast food fulfill the needs of people in a hurry but need a meal. Although the consensus response of people who patronize fast food is that they are seeking a change from the rigours of homemade meals, FFR owners should intensify efforts towards increasing the nutritional value for customers.

The study showed that the empathy dimension contributed the highest perception level in service quality. This is consistent with the study by Chow and Luk (2005) where they claimed that customers regarded "empathy" as the highest priority in assessing service quality of a FFR. This is because it provides caring, individualized attention, approachability, as well as understanding the needs of customers. The study also revealed that assurance dimension has a positive influence on customer perception about service quality. However, the finding did not corroborate with some studies such as Festus et al. (2006); Landrum et al. (2006) who stated that other dimensions were more dominant in predicting customer satisfaction. These differing results may be due to the different models used, industries or sampling method adopted. As Tsai and Huang (2002) have noted, employee expertise is an important component of overall service quality. One implication therefore, is for FFRs to improve on their assurance dimension by becoming more welcoming courteous, knowledgeable, and trustworthy during transactions.

The dimensions of responsiveness and reliability which include the attributes of consistency, willingness to help customers, the degree to which they inspire confidence, and promptness of service impact positively on quality. The results of this study showed that these attributes significantly affect service quality. This result tend to agree with Gronroos (1984) that customers tend to evaluate service providers (including FFRs) mainly on the basis of personal contact and interaction. It is critical for FFRs to provide reliable and responsive services. This is because reliability and trust are necessary for a successful business. Tat et al. (2011) in their study confirmed that perceived service quality can have a powerful impact on satisfaction. Poor service quality increase customer dissatisfaction and the likelihood that customers dine at a competitor and/or become an active champion in persuading others to go elsewhere (Gilbert, et al. 2004)

Finally, Qin (2008) incorporated the dimension of recoverability in proposing a FFR success model. He defined recoverability as the ability to deal with service

failures. Previous findings indicated that failure itself doesn't necessarily lead to customer dissatisfaction, but failure to effectively handle recoveries can lead to lost customers and negative word-of-mouth (Heskett, et al; 1994; McColl, et al; 2005). In addition, service quality and satisfaction could affect consumers' likelihood to recommend a FFR to others.

XI. CONCLUSION

The average fast food consumer patronizes a restaurant once a week for lunch or dinner. Fast food consumers eat out for the change and not because of their nutritional superiority over homemade meals. Customers attach great importance to the quality of food, cleanliness, consistency, and the general attitude of the staff. Therefore, by evaluating a fast food restaurant on these attributes will enable a manager understand the market trends so as to develop effective marketing and operational strategies. Price of products are low on customers' scale of values. Improving the nutritional value of fast food can attract more customers to fast food and help in developing a trust that fast food can be a clear alternative to homemade meals.

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Employee Turnover and Retention Strategies: An Empirical Study of Public Sector Organizations of Pakistan.

By Dr.M.Safdar Rehman

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Keywords : Turnover, job retention, public sector organizations, Human Resources Management.

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Abstract - It has been observed that employee turnover, especially amongst public sector organizations, is becoming a problem which costs a lot of money, efforts and energy. This problem might be a major obstacle for HR professionals in formulation of their HR policies. This study aims to identify the main turnover factors in some public sector regulatory authorities and to suggest some employee retention strategies within the Pakistani context. Data was collected by a questionnaire distributed amongst 568 employees, developed on the basis of extensive literature review. The importance of having a retention strategy, which is based on a well articulated human resources management system, was stressed.

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I. INTRODUCTION

Beadles *et al.* (2000) found a positive and significant correlation between job retention and organizational performance. Campion (1991) found that inescapable turnover was characteristically viewed as critical to an organization. The notion that turnover decreases the organizational performance was supported by the most of researchers. Mobley (1982) suggested that turnover might interrupt job performance when an employee who intended to leave became less efficient and effective. Shaw, Gupta, & Delery, 2002 found empirically that voluntary turnover was associated with the inferior organizational performance. Other researchers suggested that turnover could improve performance. One probable advantage of turnover was the exclusion of poor performing employees (Price, 1989). Furthermore, Staw *et al.* (1986) proposed that turnover might enhance performance if most of the turnover was by employees with longer or very short tenure.

According to Reggio (2003), employee turnover “refers simply to the movement of employees out of an organization”. It is a negative aspect, which might lead to the failure of employee retention strategies in the organizations. “Leaving of job appears to reflect significant work place problems, rather than opportunities for advancement into better Jobs” (Holzer and Wissoker, 2001). Turnover of employees disrupts teams, raises costs, reduces productivity, and results in lost knowledge. So, it is essential for the management to realize the importance of employee job satisfaction. It was estimated in a study by Abbasi & Hollman in 2000

that American industries incurred \$11 billion annually as a result of voluntary and involuntary turnover. This cost was due to termination, advertising, recruitment, selection and hiring. Turnover also produced ethereal costs, such as declining morale, and the interruption of social and communication patterns as noticed by Mobley, in 1982. Beadles *et al.*, (2000) stressed the study of turnover as a well-researched area which was one of the major interest in organizational behaviour. Shaw (1999) studied the association between employee turnover and organizational culture and Kaak, Feild, Giles, and Norris in 1997 explored the concept of turnover culture amongst lower staff. Some studies by Pizam & Ellis, (1999) recommended retention programs that could diminish turnover and its cause and effects. Realistic job previews, job enrichment, socialization practices were included. Boles *et al.* (1995) studied to make use of the pre-employment application demographics to reduce employee turnover. Hampton, 2000; Shanahan, 2000; Schreiber, 2000; Baumann, 2000 studied that the literature was also immersed with recommendations to undertake turnover and reduce retention.

In their study, Pinkovitz *et al.* (2004) attempted to know how much an organization is more likely to spend to ensure getting an adequate return on investment (ROI) in employees. Turnover direct costs enclose factors such as termination, vacancy, recruitment and selection, orientation and training. Other indirect costs can encompass such factors as lost of productivity of incumbent prior to departure, lost of productivity of co-worker, lost of productivity of the new hire during initial transition.

By calculating the real cost of employee voluntary resigning, it will be an indicator of what will worth to retain employees. Reggio (2003) pointed to the formula for computing turnover rates that the US department of Labor as follows:

Turnover Rate = (Number of separation during the month/Total number of employees at midmonth) X 100

Therefore in almost any organization, if the management utilizes the information compiled through the Exit interview system, positively it would result in a controlled turnover and develop an effective retention strategy (Gray, 2003). Gray (2003) reiterates that organizations need to assess their typical patterns of

turnover pertaining to their own circumstances. However, there are some general policies that should be considered so as to improve employee job satisfaction. Employees' job satisfaction is positively correlated with employees' retention. Reggio (2003) concluded from literature review that: "it is important that organizations strive to keep employees satisfied. Happy employees may be less likely to be absent from their job voluntarily or to look for work elsewhere" (P.38). To overcome the negative consequences of turnover, there is a need to understand the causes and the consequences of turnover in the Pakistani context. The study aims to define the main turnover factors in some public sector organizations and develop general guidelines for employees' retention strategy within the Pakistani context.

II. LITERATURE REVIEW

The reason of turnover vary from external environmental factors such as economy and its impact on turnover such as employment level, inflation (Pettman, 1975; Mobley, 1982) to the organizational variables such as type of industry, occupational category, organization size, payment, supervisory level, location, selection process, work environment, work assignments, benefits, promotions, and growth (Mobley, 1982; Arthur, 2001). The other turnover factors are related to the individual work variables such as demographic variables, integrative variables like job satisfaction, pay, promotion and working condition (Pettman 1975; Mobley, 1982; Arthur, 2001). The last perspective is the individual nonworking variables such as family variables (Pettman, 1975; Mobley, 1982).

The most important studied demographic variables are age, tenure and education. It was found, for example, that there is a consistent negative relationship between age and turnover. Younger employees have a higher probability of leaving (Porter and Steers, 1973; Price, 1977; Horner et al., 1979; Muchinsky and Tuttle, 1979). Younger employees have more chances, low family responsibility, and no lost chances in the existing organization. Similar to age, length of service is contributing to turnover decision. It was found that, the shorter the period of service, the higher is the turnover. Mangione (1973), in a multivariate study, found that length of service is one of the best predictors of turnover. However, there is no relationship between turnover and education as highlighted by Horner et al. (1979) and Price (1977).

The main concern of this study, however, is the individual level of turnover's factors. In this regards, Darwish (1999), for example, in a study in the UAE found that there is a positive correlation between intrinsic motivation, organizational commitment and job performance. He found also that organizational commitment is positively correlated with performance.

Lastly, he found that organizational commitment is positively correlated with age, job experience and duration of service in the actual institution. Cohen 1993; Hom & Griffeth 1995 and Allen, Shore & Griffeth 2003 explored that turnover intentions have represented a reliable indicator of actual turnover and were heavily influenced by job satisfaction. Hom and Griffeth (1995) maintained that employees decided to leave their organization when they become dissatisfied with their Jobs. Likewise, Meyer & Herschovitch argued in 2001 that when employees were dissatisfied with their jobs, their desire to remain in their organization started to erode. In fact, initial consequences of these negative affects, in the form of low job satisfaction were turnover cognitions.

Reggio (2003) had asserted that both low levels of job satisfaction and organizational commitment are related to higher rates of turnover. Moreover, Muchinsky and Tuttle (1997) have summarized thirty nine studies related to the relationship between job satisfaction and turnover conducted in the past 50 years and found that all but four cases have shown a negative relationship. Research by Allen & Griffeth (2001), Allen et al. (2003), and Chiu & Francesco (2003) have shown that job satisfaction was a strong predictor of turnover intentions. In a study conducted in Pakistan by Rehman Safdar and Ajmal Wahed (2010) has shown a positive significant correlation between job retention and job satisfaction of $r=0.34$ which reflects that due to satisfaction with the current job is an indicators to predict employee turnover in the organizations may be low in finding another job due to a positive experience with their organization's policies. A large effect size correlations between job performance and job satisfaction ($r=0.52$) was found by Rehman Safdar and Ajmal Waheed in 2011 in the context of a non- Western country Pakistan.

III. CONSEQUENCES OF TURNOVER

Consequences of turnover may be at both either organizational or personal levels having both positive and negative consequences. Negative consequences to organizations includes, cost both tangible like recruitment and selection, training and development, low productivity and intangible cost like moral impact, stimulation of further turnover, impact of work load, disruption of team, and distraction of job performance. Some other negative consequences are strategic opportunity costs, disruption of social and communication patterns (Mobley, 1982; Roseman, 1981). Positive consequences include dislocation of poor performer, improvement, flexibility, adaptableness, conflicts resolutions, and a reduction in other withdrawal behaviors (Mobley, 1982). Negative consequences to individual include high expectation which might not materialized, losing seniority, and disruption of social life

(Mobley, 1982; Roseman, 1981). Positive consequences include higher income, job challenge, escape from stress environment. (Mobley, 1982). Generally, turnover is very costly especially at the executive levels. A study had estimated the cost of replacing an executive by 64,000 American Dollar and the cost of unscheduled absence averaging as high as 757 American Dollar per employees (Greenberg and Baron, 2003). Based on understanding the causes and the consequences of turnover, several researchers had suggested solutions and remedies to the problem of turnover through developing strategies for employees' retention.

IV. EMPLOYEE RETENTION

Retention could be improved by many factors like better recruitment effort, selecting right man for the right job, continuous review of job specifications and job descriptions, compensation practices, leadership and supervision, career planning and development, working condition, team building, centralization, organization communication and commitment, counseling leavers, flexible working hours, employee participation, turnover policies and appreciations (Mobley, 1982; Arthur, 2001). Although review of literature revealed a modest correlation between job satisfaction and performance, Greenberg and Baron (2003) concluded that "Naturally, as working people, we all want to be satisfied with our jobs. Not only does satisfaction keep us from withdrawing from our jobs, but it is also makes them more pleasant and enjoyable. And this, of course, is an important end in itself. McConnell defined job performance in 2003 as an accomplishment that can be observed and measured. Wright & Bonett in 2002 observed age as a variables influence job performance, Cronin & Becherer, 1999 and Fort & Voltero, 2004 found non-financial rewards like recognition of achievement and McConnell, 2003; Tzeng, 2004 found job satisfaction influenced job performance. All these variables should have a positiv influence on employee job performance. In a study conducted in Pakistan Rehman Safdar and Ajmal Waheed in 2011 found highly significant correlation of job performance with the job satisfaction ($r=0.52$) which supported the earlier wok of McConnell, 2003 and Tzeng, 2004.

V. METHODOLOGY AND ANALYSIS

This study is an empirical descriptive study based on a survey. After going through an extensive review of the literature, a questionnaire consisted of demographic and attitudinal variables and items was prepared and distributed. The sample for this study was drawn from the public sector authorities regulating telecommunication, power, oil & gas, media and corporate, capital and banking sectors of Pakistan and some of the organizations being controlled by these

regulators. Fifteen (15) organizations were selected for the research. The platform which helped to choose the sectors and the organizations was the data taken from Pakistan Public Administration Research Centre, Establishment Division, Annual Statistical Bulletin of Autonomous Bodies Employees and website of these organizations

Research participants included both officers and officials of these organizations. Fifty (50) questionnaires were distributed in each organization for minimizing the possibility of uncertainty and biasness. 750 questionnaire were distributed in 15 organizations out of which 568 questionnaire were received back response rate remained (76 %)

The items of questionnaire were grouped into five main factors as follows:

- a) My present job gives me internal satisfaction. (Item 37)
- b) I will continue in my present job even if I am paid less. (Item 38)
- c) I like my job because it is totally monotonous in nature. (Item 39)
- d) I can consider changing my job in the next 12 months. (Item 40)
- e) I would like to reach my superannuation in my present organization.(Item 41)

The reliability of the questionnaire's items was calculated by using Cronbach Alpha. Alpha= 0.76 was found significant.

Data Analysis

The collected data was analyzed by using Statistical Package for the Social Sciences (SPSS). Basic statistics, item mean scores, ANOVA and product moment correlations are among the statistical analyses which were conducted.

Results Demographics

The majority of the employees who filled the questionnaire are between the age of 25 and 35 and 74 % were men as it shown in Table 1.

Table 1 : Demographics % (N= 568)

Variables		Percentage (%)
Gender	Male	74.1
	Female	25.9
Age	Below 25 years	21.0
	25-35 years	47.0
	35-45 years	16.7
	45-55 years	12.7
	55-60	2.5
	Above 60	0.2
Educational Level	PhD	1.2
	Masters Degree	66.4
	B.Sc. Engineering	5.6
	Graduation	18.3
	Intermediate	6.9
	Matriculation	1.6
Job Status	Permanent	64.6
	Contractual	31.0
	Deputation	2.8
	Daily wagers	1.6
Job Category	Technical	28.7
	Managerial/Admin	47.5
	Any other	23.8
Job Level	Top	4.9
	Middle	44.9
	Supervisor	23.2
	Non-managerial	26.9
Mode of appointment	Direct	67.6
	Promotion	28.2
	Deputation	4.2
Number of years In present Organization	Less than 1	12.7
	1 – 2	26.1
	3 – 5	32.9
	6 – 10	10.2
	Over 10	18.1
Recruitment Matters dealt by	HR Department	77.5
	Any other	22.5

Their average tenure in present organization was 26.1% (1 to 2 years) and 32.9% (3 to 5 years). The education level of the respondents was 1.2 % (PhD), 66.4 % (Masters degree), 5.6% (Engineering), 18.3% (Graduations) and 6.9% (Intermediate). The job status of the respondents was 64.4 % (Permanent), 31 % (Contractual), 2.8% (Deputation), and 1.6 % (Daily wagers), job category of the respondents was 28.7 % (Technical), 47.5 % (managerial), 23.8% (others). The job level of the respondents was 4.9 % (Top management), 44.9 % (Middle management), 23.2% (Supervisors) and 26.9 were non-managerial. Mode of the appointment of respondents was 67.4 % (Direct recruitment), 28.2 % (promoted) and 4.2 % were on deputation.

VI. TURNOVER FREQUENCY:

Data analysis shows that 37% did not change their job/organization in their entire career. However,

about 58% had changed their job/organization at least once during their career. The percentage of the respondents who changed their organizations at least once represent 28% while the employees who changed their job/company more than once is illustrated in Table 2. Interestingly, some employees changed their jobs/organizations more than five times although they represent 5% of the sample only.

Table 2 : Respondents' turnover frequency

Turnover Frequency	N	%
None	209	37
1 time	158	28
2 times	82	14
3 times	61	11
5 times	29	5
More than 5 times	22	4
NA	7	1

The relationship between turnover and the above mentioned demographic variables will be reported in the following sections by using correlations and one-way ANOVA. The analysis was done on the basis of the above indicated factors.

1). Age and turnover:

The relationship between the age and the overall turnover rate was analyzed by using Pearson Chi-Square Test. The correlation is significant (DF=200, P=.01). ANOVA shows that there is a significant difference on the overall turnover rate on the basis of age (F=2.70, P=.05).

2). Education and turnover:

ANOVA shows that there significant differences on factor "a" and factor "c" on the basis of the educational levels. In factor a (F=4.32, P=0.01) and in factor c (F=2.27, P=.05). However, no significant difference on the overall turnover rate on the basis of educational levels.

3). Sectors of activity and turnover:

In the public sector, there was no significant difference on the attitudes towards the indicated factors on the basis of the public sectors' types sector (telecom, power, electronic media, banking and stock market) ANOVA shows no significant differences on the basis of the types of activities in various sectors and overall turnover. However, in the telecom sector ANOVA shows a significant difference on the basis of the types of activities and the overall turnover rate (F=4.90, P=.05).

4). Gender, attitudes and turnover:

ANOVA shows no significant difference on the overall turnover rate on the basis of gender. However, there are significant differences between male and female respondents in the following factors: Factor b (F=8.05, P=.01).

Factor d ($F=11.87$, $P=.001$).

Factor e ($F=7.83$, $P=.01$).

5) Position, attitudes and turnover:

No significant difference on the overall turnover on the basis of the position in the organization. In addition, no significant differences on the indicated factors on the basis of position, too.

6). Length of service and turnover:

ANOVA shows that there are significant differences on the basis of the periods that the employees spend in the organization and two of the indicated factors as follows:

Factor a ($F=3.35$, $P=.01$).

Factor e ($F=2.93$, $P=.01$).

VII. RETENTION STRATEGY

It was noticed that the majority of the respondents (60.2%) had mentioned that their organizations have not formulated any retention strategy. Interestingly, 21.4% of the respondents mentioned "do not know" while 18.4% said that their organizations have a retention strategy. In short, the majority of the public sector organizations do not make sufficient effort to retain their employees which shows that the human resources management role in the public sector organizations is still very weak.

VIII. CONCLUSIONS AND DISCUSSION

Mobley (1982) suggested that turnover might interrupt job performance when an employee who planned to quit become inefficient. Shaw, Gupta, & Delery, 2002 discussed that experimental research has shown that voluntary turnover was linked with lower organizational performance. Other research suggested that turnover might improve performance. Price, 1989 studied that introverted potential advantage of turnover was the abolition of under performing employees. Additionally, Staw studied in 1986 that turnover can enhance the performance if most of the turnover was by employees with very long or very short tenure.

Regression results have shown that job retention correlates positively with Job performance. R-squared value was found 0.951 which explained 95.1 percent of the total variance for job performance relating to job retention, adjusted R-squared was 0.951 which is same as the value of R^2 . B value for job retention was 1.132 with standard error of 0.011. p-level of job retention was 0.000 and t value 104.46. All the values were positive t value with a 'b' value is significant hence predictor job retention is making a highly significant contribution. The smaller the value of significance 0.000 and the larger the value of $t=104.46$ is also showing the greater contribution of job retention. Beta value for job retention was 0.975 which provided a better insight into

the importance of job retention.

Cohen 1993; Hom & Griffeth 1995 and Allen, Shore & Griffeth 2003 explored that turnover intentions have represented a reliable indicator of actual turnover and were heavily influenced by job satisfaction. Hom and Griffeth (1995) maintained that employees decided to leave their organization when they become dissatisfied with their Jobs. Likewise, Meyer & Herschovitch argued in 2001 that when employees were dissatisfied with their jobs, their desire to remain in their organization started to erode. In fact, initial consequences of these negative affects, in the form of low job satisfaction were turnover cognitions. Research by Allen & Griffeth (2001), Allen *et al.* (2003), and Chiu & Francesco (2003) have shown that job satisfaction was a strong predictor of turnover intentions. Job satisfaction with the current job reflects an indicator to predict employee turnover in the organizations may be low in finding another job due to a positive experience with their organization's policies.

The results of this study confirmed the assumption that turnover rate in the public sector organizations is high especially in the regulatory authorities. Consequently, these organizations compete on a limited number of qualified employees in the market. The results of this study confirmed the accumulated evidence in the literature regarding the relationship between several demographic variables such as age, education and gender and turnover. Concerning employees' retention, the public sector organizations especially the regulatory authorities should play a more significant role in implementing human resources systems which should emphasize training and career development for the new employees. Thus, more effort is need in developing human resources management systems mainly in the public sector organizations.

Unfortunately, most of the public sector organizations do not have specialized professionals, managers, departments in human resources management. This argument was reflected in the fact that the majority of the respondents confirmed that their organizations do not make effort to retain their employees. Thus, strategies of retention, which are based on developing human resources management systems and organizational behavior aspects such as improving communication process and their HR policy and practicing, should be implemented in order to avoid high rate of turnover and its negative consequences. In short, more effort should be done to improve retention by taking in consideration the many factors like better recruitment effort, review job content, compensation practices, leadership and supervision, career planning and development, alternative work schedule, working conditions, non work factors, team building, centralization, organization communication and commitment, counseling leavers, flexible working hours,

compressed work week, employee involvement, policies for turnover, and recognitions. Needless to say that, these efforts should be conducted by HR professionals. This endeavor requires, however, more investment in this area by the public sector organizations.

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Job Satisfaction of Private Sector Bank's Executives in Bangladesh: A Factor Analysis

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Abstract - The present study has been attempted to understand and explain the job satisfaction, which influenced by utilitarian reasons (e.g., to increase productivity and organizational commitment, lower absenteeism and turnover, and ultimately increase organizational effectiveness) as well as humanitarian interests (i.e., the notion that employees deserve to be treated with respect and have their psychological and physical well-being maximized). The satisfied workers also tend to engage in Organizational Citizenship Behaviour (OCB) i.e., altruistic behaviours that exceed the formal requirements of a job. Dissatisfied workers show an increased propensity for counterproductive behaviours, including withdrawal, burnout, and workplace aggression. The present study emphasized on job satisfaction of private sector bank's executives in Bangladesh. For primary data some bank executives have been selected purposively in Chittagong, Bangladesh with the sample size of thirty five. We used sophisticated statistical model Principal Component Analysis (PCA). The study has identified eight factors based on factor loadings named as 'better working environment'; officer's view'; 'worked efficiently'; 'present work'; 'improving interpersonal relationship'; 'bank treatments'; 'colleagues' and 'challenging work'. However only 'colleagues' factor is significantly correlate with overall job satisfaction of bank executives

Keywords : Turnover Job Satisfaction; Organizational Citizenship Behaviour; Bank Executives.

GJMBR Classification : JEL Code:G21 ,O15, M14,



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Nimalathan, B

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Keywords : Job Satisfaction; Organizational Citizenship Behaviour; Bank Executives.

I. PRELUDE

In today's dynamic and ever changing environment the job satisfaction has emerged as the key fact for motivating employees towards the organizational goals and objectives. This issue has also been identified as one of the most important issues in today's service sector, especially in serve competitive banking sector of Bangladesh. In the development of information and communication technology (ICT), the fact of job satisfaction is becoming more complex day by day. To cope with the changes and upcoming challenges, organisations must identify the factors, which have profound impact on organisational performance as well as job satisfaction. With the o brought higher employment opportunities, increases in change has been observed both in manufacturing and Opening up of the economy of Bangladesh, a dramatic in service sectors. This has income level, and changes

in consumption pattern and consequently there emerges a competitive environment in the country. Specifically, the expansion of private banking business, along with customized services, has created a severe implied competition in this sector. This competition has made the service gap wider as private banks offer better services to their clients. The scenario has created an urge to the bank policy makers to identify the underlying reasons and brought them into consideration the job satisfaction issue. It has been further envisaged that executives in banking sector play the key role in manipulating their services through implementing policy that has appeal to their customers. In such situation, job satisfaction of bank executives becomes an important issue that has to be taken care of in order to achieve ultimate goals of the banking sector in Bangladesh.

II. LITERATURE REVIEW

Job satisfaction has been defined as a general attitude toward one's job (Huang, 1999). Locke (1976) has defined job satisfaction as the pleasurable emotional state resulting from the appraisal of one's job or job experiences. Hoppock (1935) defined job satisfaction as any combination of psychological, psychological and environment circumstances that cause a person truthfully to say, "I am satisfied with my job". This is not really a definition of job satisfaction. It merely points to various types of circumstances helpful for job satisfaction. Smith (1955) defined job satisfaction as an employee's judgement of how well his job has satisfied his various needs. But Locke (1976) gave a more acceptable definition of job satisfaction. He defined job satisfaction as the pleasurable emotional state resulting from the perception of one's job as fulfilling one's important job values, providing these values are compatible with one's needs.

The work environment is more important in shaping worker job satisfaction than are demographic characteristics and the job satisfaction is a highly salient antecedent of turnover intent (Lambert, Hogon & Barton, 2001). Satisfaction and commitment each contribute independently to the intention of the executives and intentions are predicted more strongly by satisfaction than by commitment (Tett & Meyer, 1993). About 30% of the observed variance in general job satisfaction is due to genetic factors (Avery, Bouchard, Segal and Abraham, 1989).

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Bullock (1952) defined job satisfaction as an attitude which results from a balancing and summation of many specific likes and dislikes experienced in connection with the job. According to Smith (1955), it is an employee's judgement of how well his or her job has satisfied his/her various needs. Blum & Naylor (1968) defined it as a general attitude formed as a result of specific job factors, individual characteristics, and relationships outside the job. The overall job satisfaction depends on what one expects what he or she receives. An employee will remain satisfied with fewer amenities, provided he or she expects less. However, dissatisfaction occurs when one gets less than what he or she expects. Overall or general job satisfaction describes a person's overall affective reaction to the set of work and work related factors (Cranny, Smith & Stone, 1992). It involves workers' feelings toward different dimensions of the work and work environment (Cranny et al., 1992).

A study conducted in the jute and textile sectors among the mid level male industrial managers found that job satisfaction and job involvement are positively correlated and it identified salary as the most contaminating factor in this relationship (Haque, 1995). In another study effort was made to find out the effects of organisational climate on job involvement, job satisfaction and personality of mid level managers (Jahan & Haque, 1993). It found some significant influence of organisational environment on job satisfaction of managers. Khaleque & Rahman (1987) found that the satisfaction variables are not unidirectional in their effects. Job facets can be sources of satisfaction as well as dissatisfaction. Overall satisfaction of industrial workers appears to be influenced by the satisfaction with job facets and personal life. The degree of satisfaction seems to depend upon the satisfaction with the number of job facets as well as their perceived importance.

A various studies have been conducted on the job satisfaction but a very few studies have been done on the job satisfaction of private sector in Bangladesh's socio – economic context especially in the banking sector. This research gap induced the author to undertake the present study.

III. OBJECTIVES

The main objective of the study is

1. To identify the level of job satisfaction of bank executives in Bangladesh
2. To focus on the relative importance of job satisfaction.

IV. HYPOTHESES

The following hypotheses are formulated for the study H_1 : All factors are significantly correlated with overall job satisfaction. H_2 : All factors determine the job satisfaction is significant.

V. MATERIAL AND METHODS SAMPLING DESIGN

The sample for this study was private banks in Chittagong city in Bangladesh. A purposive sampling technique was used to select the organizations. Initially researchers identified five private banks such as National Credit and Commercial Bank Ltd; Mutual Trust Bank; ICB Islamic bank Ltd; AB bank Ltd; Uttar Bank Ltd, then, decided to distribute questionnaires among seven executives (e.g., Manager, Assistant Manager, and Senior officers) from each bank. In a way thirty five were used for the study as an ultimate sample.

VI. DATA COLLECTION

Primary and secondary data were used for the study. Primary data were collected through the written questionnaire following direct personal interviewing technique. The secondary data were gathered from journals, books, magazines, etc.

VII. SURVEY INSTRUMENT

The questionnaire was administrated among the selected respondents in selected sample banks. The questionnaire was designed by the researchers a seven item scale from strongly disagree (-3) to strongly agree (+3) was adopted to identify the key factors of job satisfaction. In this study, this model is "Factor Analysis (FA)" (*Principal Component Varimax Rotated Factor Analysis Method*) has been used to group the factors.

VIII. RELIABILITY AND VALIDITY

The reliability value of our surveyed data was 0.860 for variables of job satisfaction. If we compare our reliability value with the standard value alpha of 0.7 advocated by Cronbach (1951), a more accurate recommendation (Nunnally & Bernstein's, 1994) or with the standard value of 0.6 as recommended by Bagozzi & Yi's (1988) we find that the scales used by us are sufficiently reliable for data analysis.

IX. MODE OF DATA ANALYSIS

The present study has used a sophisticated method of statistics - FA using varimax rotation analyzing the data collected. In order to obtain interpretable characteristics and simple structure solutions, researchers have subjected the initial factor matrices to varimax rotation procedures (Kaiser, 1958). Varimax rotated factors matrix provides orthogonal common factors. Correlation analysis was carried out to find out the relationship among the factors. Finally t-test was used to test the hypotheses.

X. RESULTS AND DISCUSSION

Before using factor analysis the data adequacy was tested. Data adequacy shows KMO (Kaiser-Meyer-

Olkin) and Bartlett's Test of Sphericity. KMO indicator varied from 0 to 1. In case the indicator is closer to 1, data adequacy is higher. The criterion of Bartlett's Test of Sphericity is Chi-Square value is 726.31 with 325 degree of freedom at the 0.05 level of significance. KMO indicator .895 shows that data is adequate near to 1 and also Bartlett's Test of Sphericity shows that significant is valued perfectly because of the significance $p < 0.05$. It was decided the appropriateness of factor analysis and also suggested further investigation using principles components analysis method. **(For details, please see annexure – I).**

The results from the survey were coded and entered for statistical analysis. The data obtained for the study were analysed by using "Factor Analysis" for

identification of the "key factors" preferred by the respondents. Factor analysis identifies common dimensions of factors from the observed variables that have a high correlation with the observed and seemingly unrelated but no correlation among the factors. Principal component factor analysis with rotated factor loadings (Table 1) was performed on the survey data. Principal Component Analysis (PCA) is the commonly used method for grouping the variables under few unrelated factors. Variables with a factor loading of higher than 0.5 are grouped under a factor. A factor loading is the correlation between the original variable with specific factor and the key to understanding the nature of that particular factor (Pal, 1986; Pal & Bagi, 1987).

Table 1: Varimax Rotated Factor Matrix for Job Satisfaction of Bank Executives

Variable	Factor – I	Factor –II	Factor – III	Factor – IV	Factor – V	Factor – VI	Factor – VII	Factor –VIII	Communality
V24	.870								.926
V25	.865								.870
V26	.827								.926
V21	.792								.859
V19	.629								.848
V18	.538								.838
V10		.852							.837
V11		.741							.790
V7		.703							.821
V6		.674							.749
V15		.619							.677
V5			.830						.843
V22			.753						.669
V17				.766					.836
V20				.762					.851
V23				.603					.823
V9					.749				.666
V2					.705				.726
V1					.644				.627
V16						.798			.786
V13						.687			.681
V14						.592			.793
V8							.849		.865
V3							.687		.873
V4								.718	.770
Eigen Value	7.886	3.402	2.381	1.715	1.598	1.495	1.142	1.025	
% Variance	30.25	13.08	9.15	6.59	6.14	5.75	4.39	3.94	
Total Variance	79.32%								

Source : Survey data (For details, please see Annexure – II, III and IV)

When the original twenty six variables were analysed by the Principal Component Analysis (PCA) with varimax rotation, an eight fact extracted from the analysis with an Eigen value of greater than one, then one variable were dropped from the analysis because of their low loadings and difficulty of interpretation. The analysis of the remaining twenty five variables yielded eight indicators, which explained 79.32 percent of the total variance. The result of the factor analysis is presented in Table 1. Further, the communalities of the variables constituted the factors are found very strong which indicates strong relationships among the variables.

Factor 1 named as 'better working environment' consisted of six variables. The names of the variables are working properly (.870), welfare facilities (.865), chances of income (.827), good relationship between union and management (.792), chances of promotion (.629) and income comparison with other banks (.538).

Factor 2 named 'officer's view'. The factor is constituted by five variables including officer's view

(.852), performance (.741), supervision of departments (.703), immediate supervisor (.674) and suggestions (.619).

Factor 3 named as 'worked efficiently' which is formed by three variables such as worked efficiently job offered to other organisation with factor loading of .830; .753 respectively.

Factor 4 named as 'present work'. This factor consists of three variables. The variables are present work (.766), personal development programmes (.762) and leave rules regulations (.603).

Factor 5 included three item scales and was named as 'improving interpersonal relationship'. This factor is measured by improvements (.749), work allotments (.705) and chances to do best (.644).

Factor 6 named as 'bank treatments'. This factor is measured by bank treatments (.798), bank policy (.687) and increment allotment method (.592).

Factor 7 included two item scales and was named as 'colleagues'. This is formed by colleagues (.849) and present salary (.687).

Factor 8 named as 'challenging work'. This factor is consisted return on capital employed (.718)

Table 2 : Descriptive Statistics for Job satisfaction of Banks Executives

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

Variables	Min	Max	Mean	Std.dev	t - value
F1: Better working environment	-.035	.969	.467	1.461	1.889* (.000)
F2: Officer's view	1.047	1.730	1.389	.995	8.254* (.000)
F3: Worked efficiently	1.062	1.909	1.486	1.234	7.125* (.000)
F4: Present work	1.087	1.770	1.429	.995	8.491* (.000)
F5: Improving interpersonal relationship	1.244	2.375	1.809	1.645	6.506* (.000)
F6: Bank treatments	.380	1.181	.781	1.165	3.963* (.000)
F7: Colleagues	.893	1.621	1.257	1.059	7.018* (.000)
F8: Challenging work	.798	1.716	1.257	1.336	5.567* (.000)
Overall Job satisfaction	1.347	1.853	1.600	.736	12.867* (.000)

Table 2 indicates the mean, standard deviation and t value for each factors related to job satisfaction of banking executives . t – value indicates that all variables determining to overall job satisfaction is significant. Therefore hypothesis two is accepted.

Table 3 : Correlation matrix for Job satisfactions of Bank executives

Correlations		F1	F2	F3	F4	F5	F6	F7	F8	OS
F1	Pearson Correlation	1	.364*	.100	.440**	.346*	-.052	.465**	.323	-.081
	Sig. (2-tailed)		.032	.566	.008	.042	.765	.005	.058	.643
F2	Pearson Correlation	.364*	1	.457**	.385*	.280	.119	.477**	.414*	.066
	Sig. (2-tailed)	.032		.006	.022	.103	.494	.004	.013	.707
F3	Pearson Correlation	.100	.457**	1	.153	.059	.022	.172	.440**	.026
	Sig. (2-tailed)	.566	.006		.381	.736	.902	.324	.008	.882
F4	Pearson Correlation	.440**	.385*	.153	1	.171	-.066	.422*	.283	.040
	Sig. (2-tailed)	.008	.022	.381		.326	.706	.012	.099	.819
F5	Pearson Correlation	.346*	.280	.059	.171	1	.231	.310	.117	-.081
	Sig. (2-tailed)	.042	.103	.736	.326		.181	.070	.505	.644
F6	Pearson Correlation	-.052	.119	.022	-.066	.231	1	.091	.037	-.174
	Sig. (2-tailed)	.765	.494	.902	.706	.181		.605	.832	.318
F7	Pearson Correlation	.465**	.477**	.172	.422*	.310	.091	1	.388*	.381*
	Sig. (2-tailed)	.005	.004	.324	.012	.070	.605		.021	.024
F8	Pearson Correlation	.323	.414*	.440**	.283	.117	.037	.388*	1	-.102
	Sig. (2-tailed)	.058	.013	.008	.099	.505	.832	.021		.561
OS	Pearson Correlation	-.081	.066	.026	.040	-.081	-.174	.381*	-.102	1
	Sig. (2-tailed)	.643	.707	.882	.819	.644	.318	.024	.561	

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

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

As depicted in table 2, only one factor (i.e., colleagues) is significantly correlate with overall job satisfaction. Hence hypothesis one is partially accepted.

XI. CONCLUSIONS

Based on the factor analysis, eight factors are identified, which are contributing towards job satisfaction of banking executives in private banks in Bangladesh. Factors are as 'better working environment'; 'officer's view'; 'worked efficiently'; 'present work'; 'improving interpersonal relationship'; 'bank treatments'; 'colleagues' and 'challenging work'. However only 'colleagues' factor is significantly correlate with overall job satisfaction.

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Annexure - I

KMO and Bartlett's test

Kaiser – Meyer- Olkin Measures of Sampling Adequacy			.895
Bartlett's Test of Sphericity			
Approx.	Chi- Square	726.317	
	df	.325	
	Significance	.000	

Source : Survey data

Annexure – II

Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.866	30.254	30.254	7.866	30.254	30.254	4.058	15.607	15.607
2	3.402	13.083	43.337	3.402	13.083	43.337	3.851	14.812	30.419
3	2.381	9.158	52.494	2.381	9.158	52.494	2.549	9.805	40.224
4	1.715	6.596	59.091	1.715	6.596	59.091	2.412	9.278	49.502
5	1.598	6.148	65.239	1.598	6.148	65.239	2.171	8.351	57.854
6	1.495	5.751	70.990	1.495	5.751	70.990	2.121	8.159	66.013
7	1.142	4.392	75.382	1.142	4.392	75.382	1.741	6.697	72.710
8	1.025	3.943	79.326	1.025	3.943	79.326	1.720	6.615	79.326
9	.971	3.736	83.062						
10	.748	2.879	85.940						
11	.642	2.470	88.410						
12	.582	2.237	90.647						
13	.486	1.871	92.518						
14	.397	1.526	94.044						
15	.363	1.395	95.439						
16	.279	1.073	96.512						
17	.244	.938	97.450						
18	.187	.719	98.169						
19	.162	.622	98.791						
20	.122	.469	99.260						
21	.084	.324	99.584						
22	.047	.182	99.766						
23	.030	.114	99.880						
24	.014	.054	99.934						
25	.013	.049	99.983						
26	.004	.017	100.000						

Extraction Method: Principal Component Analysis.

Annexure - III
Rotated Component Matrix

	Component							
	1	2	3	4	5	6	7	8
V24	.870							
V25	.865							
V26	.827							
V21	.792							
V19	.629							
V18	.538							
V10		.852						
V11		.741						
V7		.703						
V6		.674						
V15		.619						
V5			.830					
V22			.753					
V12								
V17				.766				
V20				.762				
V23				.603				
V9					.749			
V2					.705			
V1					.644			
V16						.798		
V13						.687		
V14		.562				.592		
V8							.849	
V3							.687	
V4								.718

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Annexure – IV *Code sheet*

V1	Job gives chances to do things felt best
V2	Satisfied with work allotments
V3	Satisfied with present salary
V4	Fair chances given for better work
V5	Not lose job if worked efficiently
V6	Immediate supervisor is reasonable
V7	Satisfied with general supervision of departments or units
V8	Satisfied with recognition by colleagues
V9	Superior encourages suggestion for improvements
V10	Bank is sympathetic to officers view
V11	Bank appreciates performance
V12	Prefer working with present colleagues
V13	Bank's policy is to overdrive workers to get the maximum
V14	Satisfied with increment allocation method
V15	Superior gives reasonable attention to suggestions
V16	Bank treats officers worse than other banks
V17	Able to do better than present work
V18	Income is higher than other banks
V19	Satisfied with the chances of promotion
V20	Satisfied with Personal Development Programmes
V21	Very good relationship between union and management
V22	Would not leave job if similar job offered to other organisation
V23	Leave rules cover average requirements adequately
V24	Maximum facilities given for working properly
V25	Satisfied with the welfare facilities
V26	Satisfied with the chances of income increase
OS	Overall Satisfaction





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Entrepreneurship Has Emerged As the Economic Engine and Social Development throughout the World

By Dr. Ghirmai T Kefela

Abstract - This paper consists of an introductory survey of two fundamental questions regarding the link between international entrepreneurship and economic growth. The first step in establishing the linkages requires the formulation of knowledge about the psychological make-up of entrepreneurs. The paper explains that Entrepreneurial activity breeds innovation, injects competitive pressures and develops opportunities in economies. It is the foundation in many respects for broader economic development. Entrepreneurship policies are equally important, as an engine of innovation, in developed countries as they are in developing or transition economies. The purpose of this paper is to explain why the model of the entrepreneurial economy maybe a better frame of reference than the model of the managed economy when explaining the role of entrepreneurship in the contemporary, developed economies. While borrowing constraints or other financial frictions affect entrepreneurship productivity and the distribution of income by restricting agents from profitable occupations that require capital, such as entrepreneurship, this paper is devoted to exploring issues aiming to increase national wealth and to improve international competitiveness of the national economy.

Keywords : entrepreneurship, small firms, economic growth, economic development, policy

GJMBR Classification : Code: 150304, L26



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I. INTRODUCTION

International entrepreneurship involves a combination of innovative, proactive, and risk-seeking behaviors that crosses country borders, and is supposed to create value in organizations. International entrepreneurship uses technological and regulatory advances to improve the flow of information, transportation and resources across global borders. International entrepreneurship may involve the discovery, enactment, evaluation, and exploitation of opportunities- across country borders- in order to create goods and services. The strategic role of the entrepreneur as an agent of economic transformation in society is visible in employment and wealth generation, stimulation of indigenous entrepreneurship or promotion of entrepreneurial culture. In the recent development literature occupational choice is at the center of the development process (e.g. Banerjee and Newman(2000), and Galor, 1993). Able individuals who start poor are doomed to remain poor.

Entrepreneurs produce solutions that fly in the face of established knowledge, and they always challenge the status quo. They are risk-takers who pursue opportunities that others may fail to recognize or may even view as problems or threats. Whatever the definition of entrepreneurship, it is closely associated with change, creativity, knowledge, innovation and flexibility-factors that are increasingly important sources of competitiveness in an increasingly globalized world economy. Thus, fostering entrepreneurship means promoting the competitiveness of businesses.

The paper advocated a shift in paradigm in re-thinking entrepreneurial failure in the developing countries. In these models, borrowing constraints or other financial frictions affect productivity and the distribution of income by restricting agents from profitable occupations that require capital, such as entrepreneurship. To understand the significance of entrepreneurship for national economies it is important to consider cross-border entrepreneurship or the involvement of SMEs and new ventures in the *international* economy. Cross-border activities, such as exports, are an important means through which small and new ventures are able to create value, to generate growth and to access new knowledge and technologies abroad (Yeoh, 2004). Governments support cross-border entrepreneurship and in particular exports with the aim to increase national wealth and to improve international competitiveness of the national economy (OECD, 1997). The missing links to successful entrepreneurship were identified to be entrepreneurial competencies, defined as the cluster of related knowledge, attitudes, and skills which an entrepreneur must acquire or possess to enable him produce outstanding performance and maximize profit in the business. These entrepreneurial competencies were the critical success factors to entrepreneurship, and they deserve serious consideration in entrepreneurial discourse and not to be neglected.

Entrepreneurship, as measured by various indicators such as start-up activity rates or the increase in business ownership, plays an important role in national economies (Van Stel, 2006). Entrepreneurship is considered to be an important mechanism for *national* economic development e.g. through its contribution to the generation of employment and innovation (Acs and

Audretsch, 2003; Baumol, 2002; Carree and Thurik, 2003; Wennekers and Thurik, 1999; Schumpeter, 1934). However, considerable differences exist between countries in the extent to which entrepreneurship is growth- or innovation oriented (Autio, 2007; Hessels, van Gelderen and Thurik, 2008a), and consequently in the extent to which entrepreneurship contributes positively to national economic development. Therefore, it is essential for scientists, policy makers and entrepreneurs, to gain insight into the factors that affect the emergence of entrepreneurship and into the economic outcomes of entrepreneurship. A substantial part of this paper is devoted to exploring such issues. One particular type of entrepreneurship that receives considerable attention in this paper is international entrepreneurship.

Knowledge has typically been measured in terms of R&D, human capital, and patented inventions. Many scholars have predicted that the emergence of knowledge as an important determinant of growth and competitiveness in global markets would render self-employment and small firms even more futile. Despite these forces, small and young firms have returned as the engine of economic and social development in highly developed economies. This return required a dramatic economic switch. Audretsch and Thurik (2001a, 2004) call this the switch from the managed economy to the entrepreneurial economy. The model of the *managed economy* is the political, social, and economic response to an economy dictated by the forces of large-scale production, reflecting the predominance of the production factors of capital and (mostly unskilled) labor as the sources of competitive advantage.

As additional studies were conducted and articles published, interest in the arena increased, and the field of international entrepreneurship broadened from its early studies of new venture internationalization theory. For example, insightful studies on national culture (McGrath & MacMillan 1992; Thomas & Mueller, 2000), alliances and cooperative strategies (Steensma, Marino, Weaver, & Dickson, 2000; Li and Atuahene-Gima, 2001), small and medium sized company internationalization (Lu & Beamish, 2001), venture financing (Roure, Keeley & Keller, 1992), and technological learning (Zahra, Ireland & Hitt, 2000) have all helped move the field forward. Reflective of the multidisciplinary nature of both entrepreneurship and international business, researchers have drawn upon theories and frameworks from international business, entrepreneurship, anthropology, economics, psychology, finance, marketing, and sociology. The entrepreneurs in turn exploit the available opportunities in the society or their environmental domain, to create or develop new products or services, thus adding value to society while equally maximizing benefits or profits. The impact of the activities of the entrepreneurs or small and

medium enterprises (SME) on the socio-politico-economic life of emerging economy is quite obvious. It is clear that the domain of international entrepreneurship is rich in opportunity.

Because the field is broad, there are many interesting research questions to be explored, and many existing theories may be beneficially employed. Opportunities for both multidisciplinary and multi-country collaboration are clear.

Entrepreneurship has been an engine of sustained economic expansion in both developed and emerging economies (e.g., Baumol, 2002; Peng, 2001; Smallbone & Welter, 2001; Thornton, 1999). One critical success factor for entrepreneurial firms is gaining sufficient access to external sources of finance (Ahlstrom & Bruton, 2006; Le, Venkatesh, & Nguyen, 2006). This is particularly true in emerging economies because such resources are severely constrained. For example, capital markets, venture capital, and angel investors are typically at nascent stages of development. As such, bank loans tend to be the only significant formal sources of external funding for private small and medium-sized enterprises (SMEs) in emerging economies. Therefore, a key challenge for many entrepreneurs is to find a means of accessing bank loans efficiently.

a) *What Is International Entrepreneurship?*

The rules of entrepreneurship still apply in principle, but the medium has changed drastically. This is probably the best time in our history to pursue entrepreneurship. Entrepreneurs are defying the logic and business rationale to make things happen individually. Days are when you needed huge capital and veteran management teams to form companies and to wait for another several years to rake in the profit. International business scholars **Wright and Ricks (1994)** highlighted international entrepreneurship as a newly emerging research direction, and it became clear the arena included (1) comparisons of entrepreneurial behavior in multiple countries and cultures as well as (2) organization behavior that extends across national borders and is entrepreneurial. While these foci have remained over time, the definition of "international entrepreneurship" has moved from a very broad one, which avoided prematurely proscribing important nascent interests (Giamartino, McDougall, & Bird, 1993), to excluding nonprofit and government organizations to be consistent with the commonly accepted definition of "international business" (McDougall & Oviatt, 1997). One trait that is common with both entrepreneurs is that each of them is leveraging on simple inexpensive tools that are readily available to most entrepreneurs. You might ask how these successful online ventures are relevant to the conceptual economy. Conceptual economy encourages entrepreneurs to use both left and right brains. Entrepreneurship generally doesn't depend

on their technical and subject matter experts, but only focusing solely on their technical skills. Rather, they are conceptually leveraging on their technical skills as well as testing their creative skills to conceptualize, design, develop and market their ideas - in most cases on their own without any help.

However, to be consistent with the interests of entrepreneurship scholars in such issues as social entrepreneurship, that exclusion was eliminated: The definition of entrepreneurship, however, is a matter of continued debate. As a result, the meaning of entrepreneurship continues to evolve. The idea that entrepreneurship is a combination of innovative, proactive, and risk-seeking behavior finds its origins in strategic management literature (e.g., Covin & Slevin, 1989; Miller, 1983), but those are not the only entrepreneurial dimensions that scholars have identified. (Lumpkin, G. & Dess, G. (1996) highlighted a variety of "entrepreneurial orientation" dimensions and distinguished them from the definition of entrepreneurship itself, which they equated with new entry, or the act of launching a new venture.

Among the factors contributing to the success of the U.S. economy over the past decade—as reflected in the doubling of productivity growth compared to the preceding two decades—is the continued transformation of the U.S. economy toward a more entrepreneurial form of capitalism. In such a system, innovative new firms play an unusually central role in developing and commercializing the radical technologies that provide the underpinnings to whole new ways of doing things and enjoying life. In the last century, innovations which have changed the social and economic landscape in the United States and in much of the rest of the world, such as the automobile, airplane, air conditioner, the personal computer and its operating system, and, most recently, many of the leading Internet-based business models, all were commercialized by entrepreneurs (Ewing Marion, 2007). Despite these counteracting forces, entrepreneurship has emerged as the engine of economic and social development throughout the world. The role of entrepreneurship has changed dramatically, fundamentally shifting between what Audretsch and Thurik (2001) introduced as the model of the managed economy and that of the entrepreneurial economy. The purpose of this paper is to explain why the model of the entrepreneurial economy maybe a better frame of reference than the model of the managed economy when explaining the role of entrepreneurship in the contemporary, developed economies.

b) The Emergence Of The Entrepreneurial Economy In Developing Countries

Schøtt, and Jensen, (2008) argue that developing countries are prone to implement policies that are based on experiences in developed countries

which have not proven to transfer fittingly to developing economies, (2) are only partly implemented and are not internally consistent as a result of a lack of resources to do so, and (3) are more beneficial on paper than on actual activity. Following this perspective, the pairing between entrepreneurship policy and entrepreneurship activity is hypothesized to be lower for developing countries than for developed countries. Given the painstaking and careful documentation that large-scale production was driving out entrepreneurship, it was particularly startling and seemingly paradoxical when scholars first began to document that –what had seemed like – the inevitable demise of small business, began to reverse itself from the 1970s onwards. Loveman and Sengenberger (1991) and Acs and Audretsch (1993) carried out systematic international analyses examining the re-emergence of small business and entrepreneurship in North America and Europe. Two major findings emerged from these studies. First, the relative importance of small business varies largely across countries, and, secondly, in most European countries and North America the importance of small business increased since the mid-1970s. In the United States the average real GDP per firm increased by nearly two-thirds between 1947 and 1989 – from \$150,000 to \$245,000 – reflecting a trend towards larger enterprises.

II. SIGNIFICANT CONSTRAINT ON FUTURE ENTREPRENEURS IN DEVELOPING COUNTRIES

The most significant constraint on their future entrepreneurs growth is the difficulty finding and attracting "talent"—highly skilled, entrepreneurial workers. This also looms as one of the more important challenges facing the developing economy. Meeting this challenge will require major, entrepreneurially driven improvements throughout their educational system (K–12 through graduate school) that allow more choices for students and their families; improved schools from which to choose; accelerated learning opportunities; increased funding for college and graduate-level training; and research and development in engineering and the physical sciences. In addition, the nation could benefit from more enlightened immigration policies, designed to attract and retain highly skilled citizen workers and potential entrepreneurs to start and work for new businesses.

Innovative entrepreneurship cannot occur unless the innovation pipeline is full and incentives for commercializing innovation are in place. The distinctions between growth-oriented entrepreneurs in developing and developed markets are rooted in the inefficiency of markets in many developing countries, but the response of entrepreneurs to these inefficiencies is often surprising and counterintuitive. The wealth and poverty

of developing countries has been linked in modern times to the entrepreneurial nature of their economies. Where it has existed in plenty, entrepreneurship has played an important role in economic growth, innovation, and competitiveness and it may also play a role over time in poverty alleviation (Landes 1998). Yet, entrepreneurship in developing countries is arguably the least studied significant economic and social phenomenon in the world today. Over 400 million individuals in developing countries are owners or managers of new firms (Reynolds et al. 2004). Of these, over 200 million are found in China and India alone, compared with just 18 million entrepreneurs in the United States. Yet, in one of the best general books on the state of research on entrepreneurship, China is mentioned on two pages and India is not mentioned at all (Bhidé 2000). In particular, the cognitive bias of over-optimism has helped us to understand why entrepreneurs start businesses in the face of odds of firm survival (often less than 50%) that would argue otherwise. In relation to developing countries, the most rewarding future research effort in this area may be to analyze the “*differences in ambiguity aversion, self-control, susceptibility to framing and so (that) play a crucial role in the formation and evolution of businesses*” (Bhidé 2000). How these differences may vary across countries, and the underlying drivers of these differences, may help us to gain a better understanding of why some countries have more successful entrepreneurs than others.

a) Entrepreneurs in developing countries face a different set of circumstances

Opportunities for entrepreneurs in developing countries are broader in scope than in developed markets, allowing firms to pursue a portfolio approach to strategy that can efficiently manage the higher levels of business and market risk. Entrepreneurs in developing countries face a different set of circumstances than their counterparts in developed economies. These differences are rooted in the underlying economies in which they operate. It is clear that the domain of international entrepreneurship is rich in opportunity. Because the field is broad, there are many interesting research questions to be explored, and many existing theories may be beneficially employed. Consequently, the opportunity for entrepreneurship in emerging markets is pervasive. While Western entrepreneurs operate at the fringes of the economy, emerging market entrepreneurs operate closer to the core – the needs and opportunities are more widespread. Entrepreneurs in emerging markets rely very heavily on informal sources of finance to start their businesses; these sources provided between 87% and 100% of the outside capital raised by entrepreneurs (Bygrave 2003). Other sources of financing typically targeted by development finance institutions interested in improving access to

finance in the emerging markets—bank lending and venture capital—play a very limited role at present in financing entrepreneurs, at least in the startup stage.

Inadequate access to capital and fragmented retail and distribution often require entrepreneurs to begin businesses downstream with direct access to the end customer. Starting downstream businesses reduces initial capital requirements as working capital is much reduced and permits access to customers and information flow that is frequently lacking. Access to such information is often overlooked as a key success factor. Lack of access to the end customer is a primary reason for the failure of South American businesses to move beyond commodity markets into higher value added activities (Fairbanks and Lindsay 1997). Having achieved success in retail and distribution, successful entrepreneurs often leverage the domain experience, information flow, and cash flow generated to vertically integrate and move into upstream businesses.

Research on the determinants of private savings in developing countries suggest that countries that have experienced economic instability are more likely to have higher rates of private saving, maintained as an insurance mechanism (Loayza, Schmidt-Hebbel, and Servén 2000). Crisis represents opportunities; at least as far as forming the pools of private capital necessary for startup finance is concerned. Moreover, while successful entrepreneurship is correlated with urbanization, urbanization also results in an increase in individual consumption and a concomitant decrease in private savings. Thus, successful entrepreneurs are likely to find ways to access the greater pools of private saving in the countryside in order to start their businesses. This highlights the possible importance of well-developed family networks that span both urban and rural areas. How such private rural savings are intermediated into urban entrepreneurship is not at present well understood and almost certainly will vary by country.

Scholars have categorized the institutions that shape entrepreneurial behavior into three main groups: I. property rights; II. contract enforcement; and III. entry costs and regulation. Djankov (2008) asserts that the most important effect of recent entry costs and regulation reforms in developing countries (as measured by the World Bank's *Doing Business* initiative) has been increased movement of informal firms into the formal economy. Recent research by Malesky and Taussig (2008) using firm survey data from Vietnam, in turn, finds time spent in the informal economy before registering as companies is significantly lower when property rights are stronger, but finds no effect for contracting institutions. We hypothesize that a less favorable regulatory environment means higher risks of doing business and therefore increases the importance of property rights in shaping entrepreneurial strategy. Improving regulatory conditions through measures such

as the Enterprise Law should then lower investment risks and thereby diminish the pivotal role of property rights.

b) Entrepreneurship policy and activity in developing countries

While the increasing importance of entrepreneurship for economic growth has widely transferred into national as well as international political agendas, not all national governments have been equally successful in devising policies that have generated economic growth. Notably, developing countries have been significantly less able to stimulate national economic growth when compared to developed countries. Easterly (2001) reports, that whereas median per capita income growth in developing countries in 1960-1979 was 2.5 percent, it declined to 0.0 percent in 1980-1998 – a period that Easterly terms as “the lost decades”. By a lack of entrepreneurship policy to support entrepreneurial activity per se, but rather a consequence of the circumstance that the entrepreneurship policies in developing countries are less fit for the local economic and cultural contexts in which they are implemented (Meyer *et al.*, 1997), and that the coupling between policy and action is looser in developing countries than in developed countries (Drori, 2003).

From an institutional perspective, people engaged in policy-making are much more enactors of scripts from institutionalized worldwide models defining legitimate agendas for local action, than they are actors pursuing rational responses to internal and external contingencies (Meyer *et al.*, 1997). Yet, from a functional perspective, elements of worldwide models are often not internally consistent and are often poorly fitted to local practices. In addition, elements of world models are often adopted electively and diffused at various levels. In turn these inconsistencies form the basis for a loose coupling between purpose and structure, between intentions and results, and hence disconnect between policy and activity is likely to result (Meyer *et al.*, 1997). Yet, decoupling is more likely to exist under some circumstances. The availability of resources in a country not only affects the likelihood of a fit between scripts from the world models and the local practices of the country, but also affects the ability of the country to adopt such scripts for national policy, planning and activity. This means that more elaborate models exist to describe entrepreneurship in developed economies than in developing economies. Adopting entrepreneurship policy scripts from the world model toolbox may necessitate a substantial amount of resources available for the local government in order to implement the necessary actions to support local entrepreneurship.

Given that less developed countries do not have such resources; it is likely that even if scientific

recommendations are included in public policies, that implementation of the necessary activities will not happen accordingly. The theory is that developed countries have a tight relationship between entrepreneurship policy and activity, whereas for developing countries there will be a loose coupling between entrepreneurship policy and entrepreneurship activity. Yet, the conceptualization of tight versus loose pairing extends beyond that of interdependence between system elements. As noted by Weick (1976) loose coupling describes a situation in which elements are responsive to one another yet retain much separateness and identity. This conceptualization of loose coupling allows system elements to, on the one hand, act rationally on the technical level, while on the other, being faced with indeterminateness on the institutional level being exposed to outside forces (Orton and Weick, 1990).

c) The framework policy promote entrepreneurial enterprises in USA

Economist Joseph Schumpeter described that not every business owner is an entrepreneur – far from it. Consequently, he described as a true entrepreneur somebody who breaks through existing conventions by devising a new product, a new production process, a new business model, or by entering a new, untapped market. If entrepreneurs play such an important role, we would like to have more of them and enable them to be successful. This inevitably leads to the question of what (if anything) can be done to help and foster entrepreneurship, especially through public policies. But our admiration of innovative entrepreneurs, especially in high tech, is not only naïve infatuation. It is linked to the evolution of USA economy. We are transitioning from an industrial economy, based on labor and capital intense mass-production of goods, to a knowledge economy, in which information and knowledge are becoming co-equal in importance to capital and labor. In such an economy, the person who can take a radically new idea and bring it successfully to market is of central importance.

Our purpose here is to concentrate on the policy framework that can best promote the development and growth of these entrepreneurial enterprises—in short to sustain and deepen the transition away from the *managerial capitalism* of the 1950s and 1960s (when citizens and policymakers looked to large established firms to carry the economy) to the *entrepreneurial capitalism* of the last several decades and which we are currently witnessing today (where much driving force behind the economy's growth is being provided by rapidly growing new firms). This is not to ignore the importance of the many millions of smaller businesses whose owners intend for them to remain small or to grow only modestly. These firms also greatly contribute to US economy, while sustaining the

lives of their proprietors and their families. But the relatively small fraction of all entrepreneurs who bring to market new or innovative products or services or means of producing or delivering them deserve society's special attention because these innovations deliver benefits widely throughout the economy, raising its productivity and the standard of living. Concerning the path of development, Lall (2001) says that the appropriate strategy for any country depends not only on its objective economic situation but also on its government policies and national views regarding the appropriate role of the state.

In the West, the resulting industrialization and economic development were based on the establishment of individual property rights that encouraged the growth of private capital. Competition and individual enterprise thrive in this environment because individuals pursue their self-interest of survival and wealth accumulation. The instinct to survive under competitive pressures yields innovation and productivity increases, which eventually lead to both increased profits for business and lower prices to consumers. However, the rise and spread of capitalism led a number of thinkers to examine the consequences of the market-based approach to development. Socialists argued that capitalism (or private ownership of capital) can lead to greater inequalities of income and wealth, while developmental economists argued that private decisions may not always lead to socially desirable outcomes (particularly in the case of market imperfections). Indeed, many policymakers at the time saw market failures as quite common and therefore assumed that only appropriate government interventions could guide an economy to a path of sustained economic development (Krueger, 1993).

The most prevalent and compelling views of entrepreneurship focus on the perception of new economic opportunities and the subsequent introduction of new ideas in the market. As Audretsch (1995) argues, entrepreneurship is about change, just as entrepreneurs are agents of change; entrepreneurship is thus about the process of change. "Entrepreneurs are agents of change and growth in a market economy and they can act to accelerate the generation, dissemination and application of innovative idea. Entrepreneurs not only seek out and identify potentially profitable economic opportunities but are also willing to take risks to see if their hunches are right" (OECD, 1998, p. 11).

III. RESULT AND FINDING

Entrepreneurial activity has a direct impact on society by providing increased consumer choice; more appropriate, affordable and even indispensable services; and further employment opportunities both directly and indirectly through suppliers. Entrepreneurial activity breeds innovation, injects competitive pressures

and develops opportunities in economies. It is the foundation in many respects for broader economic development. The key role of entrepreneurship is now increasingly recognized by international policy makers as perhaps the key element in national development strategies. Entrepreneurship policies are equally important, as an engine of innovation, in developed countries as they are in developing or transition economies.

In many countries, in particular developing countries but also in developed countries, the regulatory environment with which entrepreneurs find themselves faced can be both oppressive and emasculating. Employers' organizations have a key role to play in publicizing the benefits of formalizing economic activities. Entrepreneurs are often faced with an array of barriers and obstacles - such as business registration or access to workable systems of contract enforcement. In the more short to medium term employers' organizations can urge governments to develop incentives to innovate, through intellectual property rights and, perhaps most importantly, capitalizing on existing technology developments. Even if countries are not inventors of technology they can still be beneficiaries through the importation of technology - this is a well traveled and proven path for many countries.

Governments must genuinely aim to create the space for entrepreneurship to flourish and for a culture of innovation to take hold. A good investment climate (such as good social and physical infrastructure; environment conducive to enterprise development; good governance structures, rule of law, property rights, etc) makes it easier for firms to enter and exit markets in a process that contributes to higher productivity and faster growth.

IV. CONCLUSIONS

The key role of entrepreneurship is now increasingly recognized by international policy makers as perhaps the key element in national development strategies. Entrepreneurship policies are equally important, as an engine of innovation, in developed countries as they are in developing or transition economies. We further used the Human Development Index as an indicator of a country's stage of development. We therefore advocate for a *Schumpeterian approach to policymaking* in order to facilitate entrepreneurial activities: policy frameworks should not be seen as regulatory backdrops that are designed to provide stability, but as dynamic tools to create and bring about opportunities that entrepreneurs can seize and exploit.

Policy makers, particularly in developing countries, have limited resources that must be used strategically and efficiently. Organizations that leverage their expertise and resources, pursue policies systematically and have strategies to achieve initiatives

that lie within their competencies and capacities are likely to have the most success in advocating policies to foster entrepreneurship. Of course, as all entrepreneurial activity, they also entail risks. But devising successful policies for entrepreneurship is not an impenetrable black box. A preliminary analysis yields three rules-of-thumb policymakers should heed in designing Schumpeterian policies that can be summarized as act, experiment, and risk.

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IT Effectiveness in Employment Screening

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Abstract - This research assesses the effectiveness of IT in employment background screening. Statistical analysis of quantitative information obtained from an email survey questionnaire, illustrates the effectiveness. The variables of Usefulness, Ease of use, Satisfactory (USE) and group Benefits have been used to assess the effectiveness. A new contribution to measuring IT effectiveness is the inclusion of group benefits with the USE variables in this setting.

Keywords : Effectiveness of IT, Employment Screening, Online Background Screening, IT Effectiveness.

GJMBR Classification : JEL Code: O14



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Meshack Muderedzwa^a, Emanuel Nyakwende^a

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I. INTRODUCTION

The study is an outcome of a PhD thesis and was driven by the need to determine the effectiveness of IT in employment screening that no other research has sort to establish. NAPBS (2006), observed that technology has become an integral part of the screening industry. In such a scenario there is need to seek concrete evidence of the contribution IT is making to these organisations and finding ways to improve upon IT implementation in these organisations. It has been observed that there is also a growing concern among human resource professionals about finding ways to implement an effective pre-employment screening programme that is also cost-effective (Rosen, 2002; Halcrow, 2008). The tendency of some background screening companies to shift towards the use of IT rather than the traditional methods of phone screening and fax communications, dictates the need to assess whether the programme yields the desired results effectively. The shift also seems to result from the fact that background screening companies recognise the potential which IT holds and also because they embraced it to varying degrees.

II. BACKGROUND TO STUDY

In order to study IT effectiveness, research has shown that the variables of Usefulness, Satisfaction and It has been found out that usefulness and ease of use influence each other and both drive satisfaction and Assessed on this relationship in determining the effectiveness of IT in background screening in this investigation. In addition, these variables are Ease of frequency of use (Lund, 1998). The effectiveness of IT is

use (USE) are employed (Travis, 2008; Frokjaer, Hertzum and Hornbaek, 2000; Lund, 1998). The study focuses on assessment of turnaround time, achievement of accurate screening through information processing efficiency using IT. The other goal of any screening effort is to get the results as quickly as possible depending on the efficiency of the method used. IT effectiveness is therefore measured by the USE variables. The same approach is used to measure the effectiveness of both the software and hardware systems using a questionnaire survey in this study. Each variable has a group of questions measuring the item. Where usefulness defines what is usable and what is not. Ease of use defines what is easy to use and what is not. Satisfaction defines what one is comfortable with and develops positive attitudes towards the use of the system.

There are two commonly used questionnaires in the field of usability (Travis, 2008). Firstly, there is the USE questionnaire and secondly, there is the Computer System Usability Questionnaire (CSUQ). This research uses questions adapted from the USE questionnaire since it is the one most used to assess IT effectiveness in other settings. Further it is easy to use and understand in different settings.

Among other researchers who used the USE variables to measure IT effectiveness are Travis (2008), Frokjaer et al (2000) and Lund (1998). Figure 3.1 illustrates the relationship among these variables.

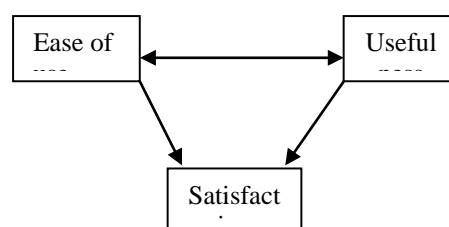


Figure. 1: IT effectiveness variable

in investigated to show how they relate to a new variable benefits in order to determine IT effectiveness. Benefits is taken as a group of statements each describing the perceived advantages of online background screening. The investigation is used to test the significance of the proposed benefits to determine IT effectiveness in this setting.

III. METHODOLOGY

An email survey method using questionnaires was employed as a model for collecting data.

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Table 2 : Construct items

The Construct Items
Perceived usefulness
Online background screening helps me to be more effective
Online background screening is useful
Online background screening makes the things I want to accomplish easier to get done
Online background screening serves time when I use it
Online background screening does everything I would expect it to do
Perceived ease-of-use
Online background screening is flexible
Using online background screening is effortless
I can recover from mistakes quickly and easily
I don't notice any inconsistencies as I use Online background screening
I can use online background screening successfully every time
Satisfaction
I would recommend online background screening systems to a friend
Online background screening works the way I want it to work
Benefits
Enables structured harvesting of employee information
Improves turnaround time by obtaining screening results quickly
Drives down costs of labour by not wasting anyone's time
Provides more robust (or lower cost) systems
Enables improved quality & speed of decision making capabilities
Closes the gap between reach & richness of information

IV. ANALYSIS OF RESULTS

The Cronbach Alpha reliability coefficients for each construct are shown in Table 2. The reliability of all measurement scales was above the recommended minimum level of 0.70. Thus, all scales were also reliable and had high internal consistence.

Table 2 : Cronbach alpha coefficients

Construct	Cronbach alpha
Perceived usefulness	0.812
Perceived ease-of-use	0.717
Satisfaction	0.749
Benefits	0.759

the answers given. The questions were not given any order of importance, which means that they were given equal weighting during analysis. The correlations of the four variables were established. The results shown in Table 3 confirm the effectiveness of IT on background screening.

Table 3 : Correlation of constructs

Constructs	Usefulness	Ease Of Use	Satisfaction	Benefits
Usefulness	1.000	0.810**	0.856**	0.765**
Ease Of Use	0.810**	1.000	0.797**	0.739**
Satisfaction	0.856**	0.797**	1.000	0.714**
Benefits	0.765**	0.739**	0.714**	1.000

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

Practitioners in the corporate background screening services registered with the National Association of Professional Background Screeners (NAPBS) were the targets of these questionnaires. After sending the questionnaires, 107 responses were successfully collected and analysed.

In order to evaluate the effectiveness of IT in employment screening a relatively small number of hypotheses were formulated as shown in table 1 based on the tool in figure 1.

Table 1 : Research hypotheses

Hypothesis
H1 Perceived ease of use is positively related to perceived usefulness
H2 Perceived ease of use is positively related to satisfaction
H3 Perceived ease of use is positively related to benefits
H4 Perceived usefulness is positively related to satisfaction
H5 Perceived usefulness is positively related to benefits
H6 Satisfaction is positively related to benefits

The research instrument

The questionnaire asked the extent of practitioners' agreement using a five point likert scale (with 1 being strongly disagree, to 5 being strongly agree). The first section pertaining to the USE variables (Usefulness, Satisfaction and Ease of use) contained 15 statements measuring IT effectiveness. These statements were formulated and adapted from Lund (1998) to measure the effectiveness of IT in organisations. Further Travis (2008) suggests that usability appears to be restricted to just one variable of satisfaction while it is also an issue of effectiveness and efficiency. In that regard, we have included as well the issues of effectiveness and efficiency in the statements used in this study to close that gap. The second section contained a list of 6 statements formulated by the researcher to assess the benefits of using IT in employment screening. A questionnaire based on the constructs depicted in Table 2 was used to collect the data.

In order to determine the effectiveness of online background screening, the correlations of the variables were determined. The questions in this part of the questionnaire were randomised so that the responses would also be randomized. This removes 'order biases' from the responses, greatly improving the reliability of

Figure 2 also depicts diagrammatically the results and the associated p-values in accordance with the research tool in the same manner in which r is the correlation coefficient of the sample and p the population.

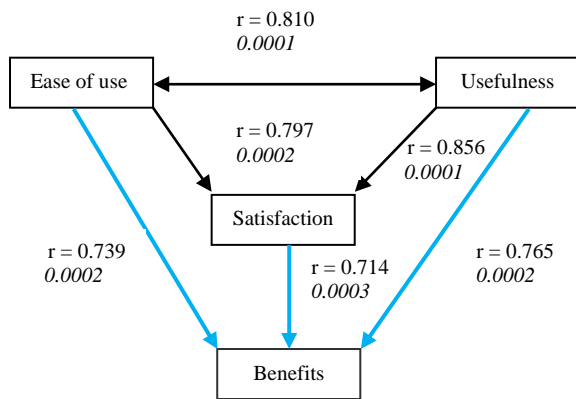


Figure 2 :

Correlations Analysis Performed on the Four Variables

In Figure 2, the thick arrows indicate new relationships in the variables established in this study to determine IT effectiveness. This is a new contribution in IT effectiveness theories that group benefits can be used with USE variables to establish the effectiveness of IT in this setting.

In Table 3, we summarise the findings regarding the stated research hypotheses. From the output, all six hypotheses are supported since all variables have significantly high correlations between them, and provide strong evidence that new online background screening systems effectively support the background screening process. Online background screening (OBS) can replace existing traditional methods of screening candidates for jobs, which tend to be more time consuming, less cost effective and less structured.

Table. 3 : Research hypotheses

Hypothesis	Supported
H1 Perceived ease of use is positively related to perceived usefulness	Yes
H2 Perceived ease of use is positively related to satisfaction	Yes
H3 Perceived ease of use is positively related to benefits	Yes
H4 Perceived usefulness is positively related to satisfaction	Yes
H5 Perceived usefulness is positively related to benefits	Yes
H6 Satisfaction is positively related to benefits	Yes

These results reflect two issues. Firstly, the effectiveness issues are supported in the variables that received positive ratings. Secondly, the three variables of Usefulness, Ease of Use and Satisfaction contribute significantly to the Benefits of using IT in employment screening, which can be used to investigate other settings. The usefulness of IT in pre-employment screening is illustrated by the benefits of OBS. The benefits reflect the effectiveness of IT when online background screening is used. Another observation from the output is that the correlations coefficients of group USE are higher than those pointing to Benefits, but all are over 0.7. They are all high and depict a significant association between the USE variables and Benefits. The positive nature of all correlations pointing to Benefits suggests that IT is effective in employment

screening. It tends to be less time consuming in reaching out to information sources and accurate in terms of completeness.

Tests of Significance

Statements in the questionnaire were clustered according to the groups – Usefulness, Ease of Use, Satisfaction and Benefits. A partial correlation analysis was done on the aggregated data of the four groups using the first three groups and the group Benefit as the control variable. A control variable is a variable that is excluded (i.e. set aside) from the analysis and later included in the analysis to show the variable's influence in the experiment (i.e. analysis). The results of the first correlation analysis are presented in Table 4.

Table. 4 : Partial Correlations Analysis of the USE variables Correlations

		Usefulness	Ease of use	Satisfaction
Benefits is set aside	Usefulness Correlation	1.000	0.564*	0.686*
	Ease of use Correlation	0.564*	1.000	0.572*
	Satisfaction Correlation	0.686*	0.572*	1.000

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

The null hypothesis states that the correlation is equal to zero (i.e. the variables Usefulness, Ease of Use and Satisfaction have no influence on the benefits of using IT in employment screening).

The analysis of Table 4 results would show whether or not the correlation is significantly different from zero. Therefore, it can be interpreted from the results that:

1. The correlation between Usefulness and Ease of Use was significant, $r_{108} = 0.564$, $p \approx 0$.
2. The correlation between Usefulness and Satisfaction was significant, $r_{108} = 0.686$, $p \approx 0$.

3. The correlation between Ease of Use and Satisfaction was significant, $r_{108} = 0.572$, $p \approx$

It is shown that the correlations are significantly different from zero with Benefits as a control variable. This is when its influence is excluded from the analysis or set aside. Then, the variable Benefits is included in the analysis in order to show the variable's influence and to see how the correlations would change in the presence of the variable. The new correlation coefficients of the four variables are displayed as in Table 5.

Table. 5: Partial Correlations Analysis of the four variables Correlations

	Usefulness	Ease of use	Satisfaction	Benefits
Usefulness Pearson Correlation	1.000	0.810**	0.856**	0.765**
EaseOfUse Pearson Correlation	0.810**	1.000	0.797**	0.739**
Satisfaction Pearson Correlation	0.856**	0.797**	0.1000	0.714**
Benefits Pearson Correlation	0.765**	0.739**	0.714**	1.000

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

It can be seen from the above output that the correlation coefficients among the three variables is still significant. It can therefore be concluded that the correlation coefficient is significantly different from zero and the null hypothesis cannot be accepted. That means the variable Benefits has not removed the significant association of the USE variables to measure IT effectiveness but instead, complements the variables or establishes a stronger relationship with the variables. Therefore, the variable Benefits can be included with these variables to determine IT effectiveness. Its inclusion as a new variable is significant since it increases the association between the variables. This is a contribution to IT effectiveness theories in information systems. The effectiveness of IT on employment screening is still supported when group Benefit is present. This means that our use of the four variables in the IT effectiveness model in Figure 2 is further proved to be valid.

V. DISCUSSION

From the research findings, Usefulness and Ease of Use positively influence each other and both drive Satisfaction. These variables have a direct effect on usefulness of IT in pre-employment screening. Lund (1998), found out that Usefulness and Ease of Use influence each other and both drive Satisfaction and frequency of use. This study also found out that these variables influence the benefits of IT in employment screening since they reflect the type of benefits obtained when IT is used. Usefulness, Ease of Use and Satisfaction drive the benefits of IT and the variable

Benefits impact on the effectiveness of OBS. The fact that the correlations of group USE are higher than those pointing to benefits mean that there is a stronger association between usability variables even in the presents of group benefits. The effectiveness of USE variables outweighs the benefits that accrued but both still demonstrates the advantages of IT. The association of USE variables with benefits is still significant. It illustrates that the benefits obtained have an impact on online employment background screening in this study.

The positive correlation on the benefits of using IT reflects the issues of Usefulness, Ease of Use and Satisfaction. The benefits used are derived from the three group variables to satisfy the perceived requirements of an effective online pre-employment screening programme. It is for the first time that benefits have been successfully used with USE variables to determine IT effectiveness in research.

The findings serve to inform the background screening industry and other companies that IT-based background screening is an effective method of screening, which is also cost effective and offers excellent benefits. The benefits are derived from the statements under group Benefits in the questionnaire that IT enables structured harvesting of employee information. IT improves turnaround time by obtaining screening results quickly. IT reduces the costs of labour by speeding up the execution of the processes. IT provides more robust systems. IT enables improved quality and speed of decision making capabilities and IT closes the gap between reach and richness of information. Lalovich (2008), states that we should draw

conclusions from the IT industry and find ways to embrace it. All businesses are automating their work processes. An automated system needs adequate business processes that operate within the system environment as well as the user's environment. However, OBS systems have not yet developed to full potential for them to be used extensively in most organisations. Currently, different screening methods are being used although large firms tend to use more online background screening than smaller firms. Although the OBSS are effective, there is a general lack of comprehensive approach to take advantage of their full potential. There are two issues to be addressed in order for OBS systems to be universally accepted. Firstly, there is need for an integrated online approach that comprehensively screens data. Secondly, most countries need to develop accessible national online databases (Muderredzwa and Nyakwende, 2010).

On the chain of relationships on USE variables, the findings show how the variables influence each other leading to the benefits of IT on employment screening. In our study, we noticed that participants tended to rate background screening systems highly on the questionnaire. The positive correlations did not come as a surprise because every question got a positive rating from "agreed" and "strongly agreed" from the subjects. According to Travis (2008), experience shows that participants are reluctant to be critical of the system, no matter how difficult they found the task. In our findings, we see the same phenomenon of subjects reluctant to be critical of online background screening products they use. We speculate that the respondents feel that giving a low rating to a product portrays a negative picture of their work and that they are not able to use computer-based technology. It maybe that they do not want to hurt the feelings of the person conducting the research (Wiklund, Thurrott and Dumas, 1992) or it may be that some of the blame for a product's poor performance falls on their clients, when clients make web technology orders. On a large scale, the impression is that it reflects negatively on the background screening industry if results show that the background screening systems are failing to perform satisfactorily.

VI. CONCLUSIONS

The study attempted to determine the effectiveness of IT in employment screening. This was assessed in the form of USE variables and group Benefits in the model used. From the findings, the research provides strong evidence that IT is effective in employment screening. New relationships in the USE variables and group Benefits are established in this study to determine IT effectiveness. This is a new contribution in IT effectiveness theories. The UE variables reflect on the type of benefits obtained when

IT. The benefits came up as a result of three issues. Firstly, the quality of the results obtained after screening. Secondly, the efficiency of the method used to reach out to information sources. Thirdly, the perceived cost-effectiveness of the method used.

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Impact of Human Resource Allocation and Utilization on the Academic Performance of Students in Ondo State Secondary Schools

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Abstract - The study examined the impact of human resource allocation and utilization on the academic performance of students in public and private secondary schools in Ondo State. The study recognized the teachers' quality while the students' academic performance in the JSSCE and SSSCE is part of the output variables. The study made use of 900 teachers and 100 principals selected through purposive random sampling who responded to the research instrument from both public and private secondary schools. Three research questions and two hypotheses were raised in the study. Data were gathered through a self-developed questionnaire titled Human Resource Allocation and Utilization Questionnaire (HRAUQ) which was subjected to face and content validity by colleagues. The reliability value was 0.79 which indicated that the instrument was reliable before it was administered on teachers and principals. Analysis of data reveals that no significant difference existed in the quality of teaching staff and students' academic performance between the public and private secondary schools. These findings provide vivid evidence for recommendations such as improving quality of input through training and re-training of public and private secondary schools teaching staff and adopting quality control measures towards increase in internal efficiency of the school system.

Keywords : Internal efficiency, Resource utilization, Social benefits, Efficiency gains.

GJMBR Classification : JEL Code: M12, D23



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Professor Ibukun, W.O.^α, Dr. Oyetakin, Akinrotimi Iyiomo^Ω, Dr. (Mrs) Akinfolarin, Comfort Ayandoja^β

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1. INTRODUCTION

Most developed societies, over the centuries, have invested enormous amount of time, energy and money in providing qualitative education to their citizens: it is a force that has eradicated ignorance and poverty from most societies. As a result, premium is placed on the provision of this essential ingredient in national development. This provides reasonable justification for the huge investment of resources in the provision of education. Education is seen as the engine room for the transmission of culture, information, knowledge and values from one generation to the other.

It is also important for the transmission of societal core values and other pieces of information necessary for growth and development. This leads to

societal transformation and better living conditions. This all important role played by education has prompted national leaders to ensure that all citizens have access to education irrespective of the ability to pay for it. Samuel (2003) notes that government's investment in education is anchored on the maxim that the end justifies the means and the principle of prime beneficiaries. In spite of government's scarce resources and competing projects of other areas of society such as road construction, water supply, provision of electricity among others. Government heavy investment in the procurement and utilization of human and material resources have shown that it occupies an important position.

Over the years, there has been increased provision of educational opportunities and, the cumulative effects of economic and socio-political instability in the country have necessitated the proper planning of government investment in education. Education is a race between civilization and catastrophe, and if anyone thinks that education is expensive he should try ignorance (Esan, 1991). The success or otherwise of the Nigerian economy depends, to a very large extent, on its educational provision. During the colonial era, the basic aims of education by the missionaries and the few colonial government schools recorded a minimal investment in education. On April 1959, Sir Eric Ashby Commission was set up "to conduct an investigation into Nigeria's needs in the field of post-school certificate and higher education over the next twenty years" (Ejiogu, 1986:21) the Commission however recommended that: "Secondary education should also increase in the capacity of admission from 12,000 per annum in 1958 to more than 30,000 per annum in 1979 to spread across the country. More secondary schools were to be built".

However, Osokoya (1989) reports that secondary education development since independence was influenced by a number of factors: First, the expansion in primary education led to greater demand for secondary education; Secondly, the decision of the government to implement the recommendation of the Ashby commission and; Thirdly, Nigeria was implementing the decision of the African states at the Addis Ababa conference and lastly, the Dike and Banjo

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Commissions had been critical of the content and method of secondary schools curricula in the Eastern and Western Regions respectively and had recommended improvement.

Nigeria was a British colony up till 1960, with an inheritance of British system of education. This generated series of questions on the relevance of the existing curriculum which resulted in the National Curriculum Conference of 1969. The Federal Government set up a committee in 1973 to study the recommendations of that conference. Government's view on the report of the committee was published in 1977 in a white paper titled 'National Policy on Education' (NPE). The policy was revised in 1981 to reflect the provision of the Nigerian constitution of 1979, and it was also revised in 1998. With the operation of the 1999 constitution of the Federal Republic of Nigeria, and subsequent launching of the Universal Basic Education (UBE) Programme, the Policy was revised in 2004 to reflect the provision of the constitution concerning the Basic Education Programme of the government. Section 5 of the NPE, FGN (2004) states that secondary education seeks to prepare youths for useful life in the society and for higher education.

The goals of secondary education in specific terms were spelt out as follows:

- i. To provide all primary school leavers with the opportunity for education of a higher level, irrespective of sex, social status, religious or ethnic background;
- ii. To offer diversified curriculum to cater for the differences in talents, opportunities and future roles;
- iii. To provide trained manpower in the applied science, technology and commerce at sub-professional grades;
- iv. To develop and promote Nigerian languages, art and culture in the context of world's cultural heritage;
- v. To inspire students with desire for self improvement and achievement of excellence;
- vi. To foster national unity with an emphasis on the common ties that unite us in our diversity;
- vii. To raise a generation of people who can think for themselves, respect the views and feelings of others, respect the dignity of labour, appreciate those values specified under our broad national goals and live as good citizens;
- viii. To provide technical knowledge and vocational skill necessary for agricultural, industrial, commercial and economic development.

To achieve these objectives, secondary education now lasts six years and is given in two stages, that is, Junior Secondary Education and Senior Secondary Education, each of three years duration.

The economic and development policy literature identifies two important streams of social benefits that

flow from investment in education, efficiency gains and equity improvements. "So if you are going to spend millions, you want to make sure they are going to work" (Andrea, 2003). Thus, it can be deduced that the success of any secondary school education depends upon the resources available to it. Money is very important in education because by it, all other vital elements in the school such as school buildings, purchases, allowances, as well as running expense can be made.

The Nigeria's educational system was described to have suffered decline significantly in the 1980s and 1990s because there was a shortage of qualified teachers, and the government was sometimes unable to pay the staff in a timely manner which most of the time results in strike actions embarked upon by the teachers (Aina, 2004). Moreover, the number of schools did not increase proportionally with the population, and existing schools were not always properly maintained.

A cursory look at the Nigeria environment reveals that the society has changed considerably within the last two decades and it is also evident that the youths are changing along with the global society. It is therefore no gain-say that the school system is both a product and as well as a reflection of our society. According to Oyedele (2000) and Oyesola (2000) school material resources could be divided into two categories: (a) direct teaching resources (b) non-teaching resources. Direct teaching resources are resources that have direct relevance to the educative process, while non teaching resources are resources that have indirect relevance to the educative process. One would think that secondary schools in Nigeria have enough resources allocated to them but the reverse is the case when one takes a careful look at the availability and utilization of these resources on the academic performance of the schools, a yardstick by which the investment on education will be justified and which would be used to see the extent to which resource allocation to secondary schools helps in improving the teaching-learning process.

The pertinent question to ask however is, will the citizens derive more or less benefits in spending on education than spending the same amount on any other area? Views differ on this, but any rational argument will admit that it will in the long-run benefit: a nation with a well educated citizens. Hence, the adequate allocation of human resources and the efficient utilization of educational resources are paramount ingredients for the success of any educational endeavour.

II. STATEMENT OF THE PROBLEM

Secondary school students' academic performance of recent in public examinations is one of the major means by which the general populace judges the products of Secondary schools in Nigeria. This being the case, Nigeria has not fared favourably well in

her attempt to providing quality education to her citizens. Factors such as motivation, leadership, supervision, quality and quantity of teaching staff and materials, have influenced such weak results in public examinations. This study therefore examines the effect of human resource allocation and utilization on the academic performance of students in Nigeria secondary schools.

III. PURPOSE OF THE STUDY

The main purpose of this study therefore is to:

- i. determine if there is any relationship between the quantity of human resources (teachers) allocated and the academic performance of secondary school students in Ondo State;
- ii. examine if any significant relationship exist between the utilization of teachers and the academic performance of secondary school students in Ondo State ; and
- iii. to find out if there is any correlation between the quality of teachers and the students' academic performance in Ondo State.

IV. SIGNIFICANCE OF THE STUDY

The importance of this study cannot be over emphasized considering the fact that without adequate resources much cannot be achieved. Attempt is being made to look critically into the extent to which teachers allocated to the educational system in Nigeria's secondary schools serve as a determinant of learning outcomes and how meager and low quality teachers allocated can be harnessed and manipulated in a bid to achieving the already laid down educational objectives in the country. The result of this study will assist educational managers, administrators, and technocrats in the formulation and execution of educational policy towards the attainment of the overall educational goals and objectives as stated in the National Policy on Education (FGN, 2004).

V. RESEARCH QUESTIONS

The following research questions guided the study:

1. Is there any relationship between the quality of human resources allocated to public secondary schools and the academic performance of students in Ondo State?
2. Is there any relationship between the quality of teachers allocated to private secondary schools and the academic performance of students in Ondo State?

VI. HYPOTHESES

The following hypotheses guided the study:

Ho 1 There is no significant difference between the quality of teachers allocated to junior public and junior private secondary schools and the academic performance of students in Ondo State.

Ho 2 There is no significant difference between the quality of teachers allocated to public and private senior secondary schools and the academic performance of students in Ondo State.

VII. METHODOLOGY

a) Design

This study specifically adopted the survey method of descriptive research design. It is considered as a suitable available research design for the purpose of description of the allocation and utilization of teaching staff as a variable that affect the academic performance of students in secondary schools in Nigeria. The population of this study comprised of all the public and private secondary schools in Ondo State.

b) Sample and Sampling Techniques

Thus, a purposive simple random sampling technique was adopted. Participants were randomly selected to fill the instrument in each of the secondary schools. In all a total of 100 principals and 900 teaching staff responded to the research instrument from both public and private secondary schools in Ondo State.

c) Instrumentation

The instrument for data collection was a self developed questionnaire titled Human Resource Allocation and Utilization Questionnaire (HRAUQ) The instrument for data collection which consisted of 30-item Likert scale format of Strongly Agree (SA) =4 points, Agree (A)=3 points, Disagree (D)= 2 points, and Strongly Disagree (SD)= 1 point and academic record format for students. The questionnaire was subjected to face and content validity by colleagues, and test-retest reliability method. The reliability value was 0.79 which indicated that the instrument is reliable before administration.

The researchers administered the questionnaire to the respondents. Completed copies of the questionnaire were retrieved immediately.

The statistical tool used to analyze the data comprised of simple descriptive statistics such as mean' standard deviation, and t-test statistics.

VIII. RESULTS

a) Descriptive Analysis of Research Questions

Table 1 : Percentage Quality of Teaching Staff between Public and Private Secondary Schools in Ondo State

Categories of Teaching Staff	Public				Private			
	JSS %	TE	SSS %	TE	JSS%	TE	SSS%	TE
Graduate with Teaching Qualification	41	40	53	50	18	14	22	17
Graduate without Teaching Qualification	18	5	13	10	44	21	47	20
N C E	34	30	22	21	30	19	18	10
Others	7	25	12	19	9	46	13	47
Total	100		100		100		100	

Source: Fieldwork

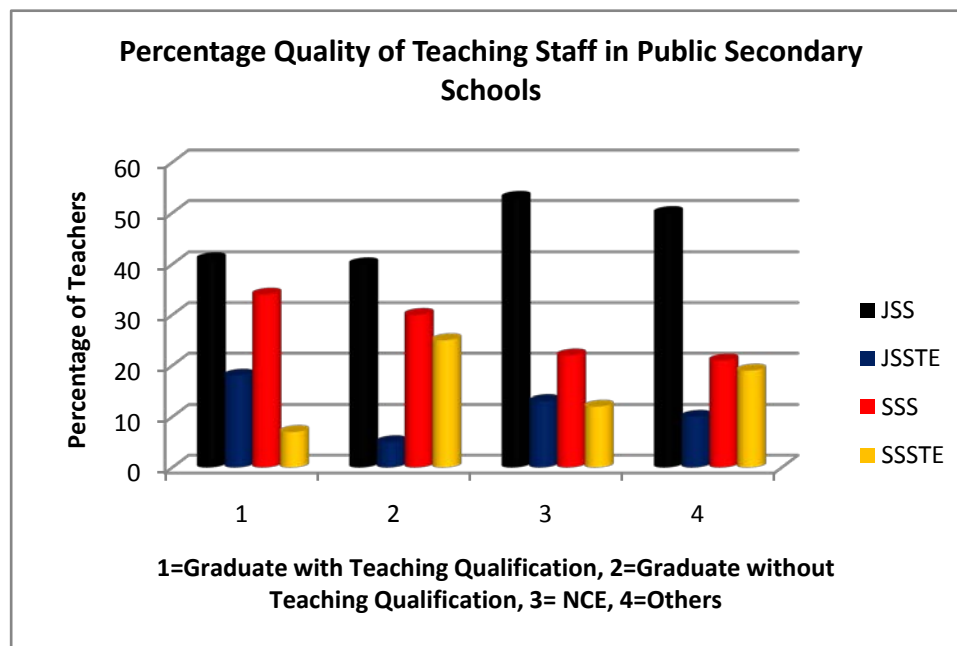
SSS= Senior Secondary School, JSS= Junior Secondary School

TE= Teaching Experience above 5 years

A preliminary analysis on teachers with long teaching experience reveals 40% graduate teaching staff of public junior secondary schools have teaching experience whereas 14% graduate teachers in private junior secondary schools have teaching experience.

Graduate teachers without teaching qualification were higher in private junior schools (21%) than in public junior schools (18%). Teachers with NCE (34%) were found in public JSS as against 30% in private schools. Figure 1 depict this at a glance.

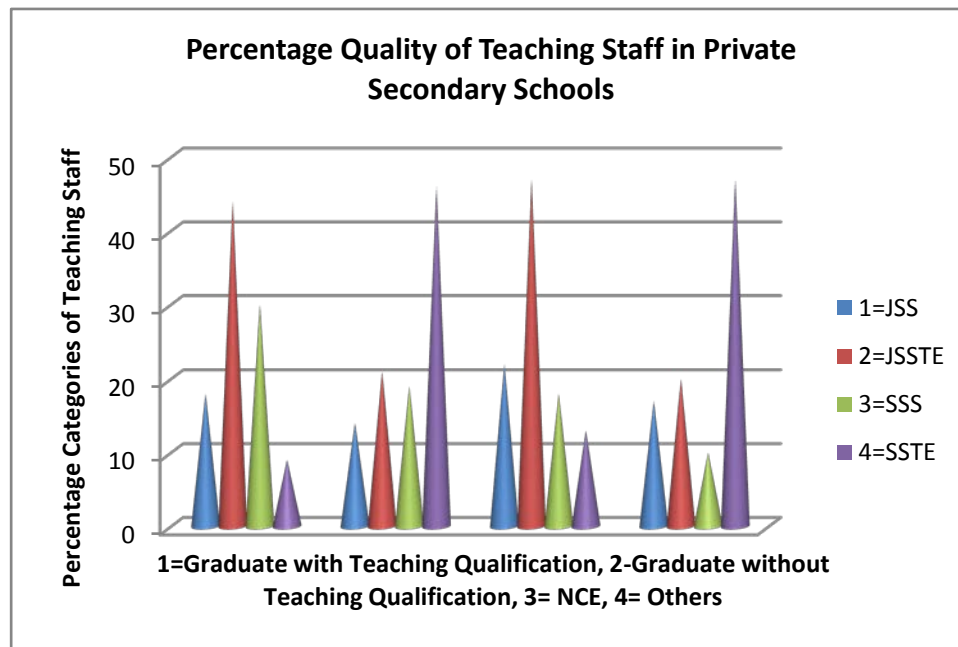
Figure 1 : Histogram of Percentage Quality of Teachers in Public Secondary Schools



Source : Derived from table 1

Further analysis in table 1 and figure 2 shows that graduate teachers with teaching experience in public SSS constitute 50% while they constitute 22% in private SSS. Graduate teachers without teaching qualification were higher in private schools (47%) than similar graduate teachers in public SSS (13%).

Figure 2 : Histogram of Percentage Quality of Teachers in Private Secondary Schools



Source : Derived from table 1

b) Hypotheses Testing

Ho 1 There is no significant difference between the quality of teachers allocated to junior public and junior private secondary schools and the academic performance of students in Ondo State.

In testing this null hypothesis, a t-test analysis was undertaken to examine the difference in the means of teachers' quality and students' academic performance for both public and private secondary schools in Ondo State.

Table 2 : Summary of Difference Between the Quality of Teachers Allocated to Junior Public and Junior Private Secondary Schools and the Academic Performance of Students in Ondo State

Source	N	Mean	Std. Deviation	df	t-cal	t-val	Sig.
Public JSS	500	25.00	13.94	998	.018	.986	P>.05
Private JSS	500	25.13	13.65				

NS = Not Significant (2-tailed)

Table 2 shows that significant no significant difference existed between the quality of teaching staff allocated to junior public and junior private secondary schools and academic performance in Ondo State. (t-cal = .018 < t-val of .986; P > .05). Therefore, the hypothesis is accepted.

Ho 2 There is no significant difference between the quality of teachers allocated to senior public and senior private secondary schools and the academic performance of students in Ondo State.

Table 3 : Summary of Difference Between the Quality of Teachers Allocated to Senior Public and Senior Public Secondary Schools and the Academic Performance of Students in Ondo State

Source	N	Mean	Std. Deviation	df	t-cal	t-val	Sig.
Public SSS	500	25.00	16.94	998	.095	.926	P>.05
Private SSS	500	24.25	14.54				

NS = Not Significant (2-tailed)

The difference was not statistically significant. $t\text{-cal} = .095 < t\text{-val } .926$; $P > .05$. (See table 3).

Thus, the null hypothesis which states that there is no significant difference in the quality of teachers allocated to senior public and senior private secondary schools and the academic performance of students in Ondo State is upheld.

IX. DISCUSSION AND CONCLUSION

This study no doubt has come up with relevant findings which are germane to quality of teachers and the academic performance of students in public and private secondary schools in Ondo State. It is established that the incidence of poor academic performance of students is not only due to unpleasant school climate but the quality and quantity of teachers which is at the mercy of other determinants of students' academic outcome. Despite the fact that the quality of teachers is higher in public secondary than private secondary schools in Ondo State, yet no difference in the academic performance of students. The non-difference could be adduced to Oredein (2000) submission that the prevailing conditions would definitely show a negative influence on the instructional quality in public schools, which may translate to poor academic performance, attitude and values of secondary school students. Although teachers' strong effect would significantly influence students' academic achievement, other factors such as socio-economic background, family support, Intellectual aptitude of student, personality of student, self confidence, and previous instructional quality have been found to also Influence students' examination score either positively or negatively.

This result negates Okebukola (2003) that we cannot hope for a top quality education system if we staff our schools with second-rate teachers. However, he called for serious reforms in teacher education to boost the quality of products at basic, secondary and tertiary education levels. It has also been observed that conditions that would make for effective teaching such as resources available to teachers, general conditions of infrastructure as well as instructional materials in public secondary schools in Nigeria are in support of this view, a study carried out in Nigeria by Joshua, Joshua and Kritsonis (2006) showed that Nigerian teachers condemn the use of student achievement scores as indicators of teachers' competence, performance or effectiveness. Since students' academic scores are not the only predictor's teachers' quality, researchers have sought other fairer ways of evaluating teachers' quality. Conclusively, the quality of teacher remains a constant tactic for the successful implementation of educational programmes.

X. RECOMMENDATIONS

Based on the findings in this study, the following recommendations are made:

1. The growing complexity of the school system; including both public and private secondary schools call for a comprehensive overhauling of the academic activities of the schools in Ondo State.
2. Recently, the Ondo State and Federal Government have been training and retraining public secondary school teaching staff without ensuring that the private secondary schools do the same for their teaching staff since the products of public and private schools are from the same society. The State Ministry of Education should mandate the proprietors of private secondary schools to sponsor their teachers on training and re-training programmes possibly alongside the public secondary school teachers.
3. There is the urgent need for a State Government sponsored Retreat for secondary school administrators in Ondo State, both public and private, for a frank talk and dialogue, for the purpose of coming up with a radical plans of action based on mutual respect, recognition, understanding, collaboration, and reality, directed towards checkmating the mass failure in public examinations (WAEC and NECO).
4. It may be expedient at this point that, although profit maximization is the focus of proprietors of private secondary schools, there should be an urgent workshop to address this issue that education is more of a public service and it is incumbent on the part of private secondary school proprietors to ensure that their profit making zeal does not erode the selective mechanism of engaging qualified teachers in appropriate numbers in their schools.
5. In an attempt to combat mass failure in public examinations, a study of the examination procedures and the psychometric characteristics of public examinations to assess the contribution of the assessment process to the incidence of mass failure should be embarked upon immediately. This is to ascertain if the input-output analysis of schools is reflected by the true picture of examination outcome.

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INDEX

A

abovementioned · 110, 119
academic · 75, 77, 79, 80, 82, 102, 217, 220, 221, 222, 224, 226, 227
accepted · 36, 88, 98, 123, 133, 137, 144, 153, 154, 181, 183, 191, 200, 212, 214, 224
addresses · 70, 99
Administration · 48, 63, 71, 72, 100, 145, 157, 165, 170
Americans · 148
analyzed · 53, 85, 108, 165, 166

B

Background · 206, 208, 215
Bangladesh · 2, 15, 175, 176, 177, 178, 179, 181, 183, 184, 185, 186, 187
biotechnology · 101, 102
blocking · 124, 125
Bouchard · 176
budgeting · 52
business · 50, 54, 64, 69, 70, 75, 77, 78, 81, 82, 83, 85, 86, 87, 88, 89, 90, 91, 92, 93, 95, 97, 98, 99, 100, 103, 111, 112, 115, 129, 131, 146, 148, 149, 155, 156, 175, 189, 190, 191, 192, 193, 194, 195, 197, 198, 199, 203, 214

C

celebrations · 50, 66, 67
CEMAC · 22, 23, 34, 36, 37, 38, 39
charges · 111, 112, 121, 123, 125, 126, 133, 135, 137, 138, 142, 144
Citizenship · 175
collectivities · 26
commercialization · 75, 76, 77, 78, 79, 80, 81, 92, 93, 96, 97, 98, 99, 101
commonly · 127, 179, 191, 207
communities · 49, 51, 52, 53, 54, 55, 61, 64, 69, 70, 71, 148
companies · 48, 63, 64, 68, 81, 109, 111, 112, 113, 114, 115, 116, 121, 148, 151, 191, 195, 206, 213

D

data · 16, 22
Debit · 123, 124, 125, 129, 131, 135, 142
demonstration · 89, 101
Despite · 14, 15, 16, 49, 103, 190, 192, 226
determination · 30, 90
developing · 3, 6, 7, 8, 10, 11, 17, 18, 51, 52, 53, 56, 69, 71, 103, 106, 107, 113, 114, 119, 122, 157, 164, 169, 188, 192, 193, 194, 195, 196, 197, 199
Documentation · 73
domestic · 7, 8, 9, 14, 17, 26, 31, 33, 34, 38, 59, 60, 61, 62, 68, 112

E

economic · 3, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 17, 18, 20, 22, 23, 24, 25, 26, 27, 28, 30, 31, 32, 33, 34, 35, 37, 38, 39, 49, 50, 51, 52, 53, 55, 56, 59, 61, 69, 70, 71, 74, 75, 77, 78, 99, 148, 177, 188, 189, 190, 191, 192, 194, 195, 196, 198, 199, 217, 219, 226
education · 8, 78, 86, 87, 162, 166, 169, 217, 218, 219, 220, 221, 226, 227, III
Effectiveness · 2, 206, 208, 210, 212, 214, 215, 216, 227, II
eliminating · 106, 111

F

Facilities · 2, 123, 125, 127, 129, 131, 133, 135, 137, 139, 141, 142, 144, III
Features · 123, 125, 133
financial · 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 17, 18, 19, 20, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 47, 54, 81, 84, 86, 87, 89, 105, 108, 109, 110, 111, 112, 113, 115, 119, 121, 122, 123, 129, 131, 164, 188
formulation · 52, 55, 155, 160, 188, 221
Furthermore · 8, 24, 30, 146, 160

G

generally · 4, 8, 10, 108, 147, 148, 191
governments · 6, 10, 11, 14, 55, 56, 196, 199
Granger · 22, 47
growth · 3, 9, 10, 17, 22, 23, 24, 25, 26, 27, 28, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 42, 47, 54, 57, 58, 59, 60, 62, 69, 79, 89, 93, 94, 96, 104, 106, 107, 113, 114, 145, 150, 162, 188, 190, 192, 193, 194, 196, 197, 198, 199, 217
Guidelines · 2, 112, 114

H

hardships · 93, 95
Hausman, · 37
heteroscedasticity · 35, 37, 44, 45
Homemade · 145
homogenous · 35, 36
hypothesis · 29, 30, 35, 36, 103, 116, 117, 118, 154, 181, 183, 212, 224, 226

I

identifying · 75, 109, 120
idiosyncratic · 27
implementation · 49, 53, 55, 56, 68, 69, 70, 197, 206, 226
important · 4, 8, 12, 16, 17, 22, 24, 30, 33, 34, 35, 56, 61, 63, 67, 68, 69, 70, 71, 79, 80, 83, 86, 87, 93, 94, 105, 106, 107, 109, 110, 119, 123, 155, 156, 162, 164, 175, 176, 188, 189, 190, 191, 193, 194, 195, 197, 199, 217, 219, 220

J

Jalisco · 2, 48, 49, 50, 52, 54, 55, 56, 58, 60, 62, 64, 66, 68, 69, 70, 71, 72, 73, 74
Journal · 1, 19, 39, 40, 41, 72, 73, 99, 100, 101, 102, 157, 158, 170, 171, 172, 173, 183, 184, 200, 201, 202, 203, 204, 215, I
Jovanovic · 24, 26

L

literature · 3, 5, 22, 23, 24, 30, 49, 51, 53, 55, 76, 81, 82, 96, 99, 103, 160, 161, 162, 164, 169, 189, 192, 202, 219

M

Magdalene · 66
magnitude · 13, 14
majority · 110, 146, 151, 153, 165, 168, 169
Management, · 73, 101, 104, 123, 157, 158, 170, 171, 202, 215, 217, 227
managerial · 40, 85, 86, 92, 166, 197, III
marketing · 49, 50, 56, 63, 64, 68, 69, 70, 71, 79, 88, 89, 105, 106, 111, 112, 115, 119, 121, 137, 155, 157, 190
1

O

opportunities · 18, 39, 51, 54, 56, 68, 69, 70, 79, 93, 97, 122, 160, 176, 188, 190, 193, 194, 195, 198, 199, 217, 219
Organisation · 10, 19, 200
Organizational · 64, 170, 171, 172, 173, 175
overlooked · 195

P

paramount · 92, 220
perceived · 74, 145, 150, 151, 153, 156, 177, 207, 208, 210, 213, 215
perceptions · 53, 62, 71, 82, 87, 92, 145, 147, 149, 150, 151, 153, 154, 155, 202
perspective · 76, 79, 81, 82, 83, 85, 87, 88, 89, 91, 94, 99, 162, 193, 196
policies · 3, 6, 8, 12, 17, 24, 49, 52, 53, 54, 55, 56, 69, 74, 109, 110, 111, 112, 114, 121, 122, 160, 162, 163, 164, 169, 170, 192, 193, 196, 197, 198, 199, 200

Q

Quality · 145, 150, 155, 157, 158, 223, 224
questionnaires · 103, 116, 151, 165, 178, 207, 208

R

Railway · 126
Regional · 2, 48, 50, 52, 54, 56, 58, 60, 62, 64, 66, 68, 70, 72, 74
relationship · 12, 22, 23, 24, 25, 30, 31, 32, 34, 38, 39, 61, 64, 79, 81, 98, 105, 106, 116, 137, 139, 151, 162, 163, 166, 169, 172, 175, 177, 178, 181, 183, 187, 197, 206, 207, 212, 221
researchers · 77, 78, 82, 83, 92, 160, 164, 178, 190, 207, 222, 226

S

Saharan · 20, 31, 32, 41
Satisfaction · 2, 157, 158, 170, 175, 176, 177, 179, 181, 183, 184, 185, 186, 187, 206, 207, 208, 209, 210, 212, 213, 215
scientific · 5, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 87, 88, 92, 95, 96, 97, 98, 99, 100, 102, 105, 112, 196

T

techniques · 22, 23, 32, 34, 35, 39, 62, 151
technology · 6, 28, 29, 58, 68, 78, 79, 81, 107, 113, 114, 115, 175, 199, 202, 203, 206, 214, 219
tourism · 3, 9, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 66, 68, 69, 70, 71, 72, 73, 74
transactions · 27, 33, 123, 124, 139, 156
Turnover · 2, 160, 161, 162, 164, 166, 168, 170, 171, 172, 174

U

understanding · 49, 52, 53, 54, 77, 81, 82, 83, 85, 87, 88, 92, 93, 106, 149, 151, 153, 154, 156, 164, 179, 194, 227
undeveloped · 106, 107
Undifferentiated · 145
unemployment · 8, 9, 10, 104, 106

unfold · 19
University · 23, 40, 41, 72, 73, 74, 100, 101, 102, 104, 123, 145,
157, 171, 172, 176, 183, 184, 185, 201, 203, 206, 217, III
untenable · 91

V

voluntary · 160, 161, 168

W

Washington · 14, 41, 100
whatever · 105, 123
widespread. · 194
withdrawal · 9, 124, 126, 133, 135, 142, 144, 163, 175
workable



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