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By Amue Gonewa John, Umoh Godwin Ikpe & Ngaage K.T
University of Port Harcourt Nigeria

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Keywords : Customers acquisition, customer retention, customer loyalty, switching rate, market share.

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Dynamic Behavior in Customers' Switching and Market Share Analysis: The Markov Model Perspectives

Amue Gonewa John [α], Umoh Godwin Ikpe [σ] & Ngaage K.T [ρ]

Abstract - Customer's loyalty results in long-run market share of a firm, which is a base for retaining loyal customers. Marketing strategies pertaining to customer retention and customer acquisition are examined for five major global mobile service providers in Nigeria. Here we proposed a mathematical model to explore firm market share analysis, customer retention and switching rate. The customer retention rate and switching rate would be assumed in the model to be constant from time to time because of our underlying assumption that our Markov models have a finite chain and with stationary transition probabilities. How these probability values will be used to compute each firm's market share is demonstrated. Finally, we used the Markov model to design marketing strategy to raise the customer retention rate and the rate of gaining competitor's customers.

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I. Introduction

Since the publication of the Markov model in marketing literature, research on the modeling of customer loyalty, customer switching and market share analysis has resulted in a body of literature consisting of several articles, books and other publications. Attempt have been made to reexamine the conceptual assumptions and estimated issues underlying the Markov models that evolves repeated trails or in sequential time periods in which the state of the system changes from one period or stage to the other in the next succeeding time period or stage. The authors evaluate these developments and conclude with an agenda to make Markov models theoretically more sound and practically effective and realistic. The Markov model has been defined as an analytical tool that uses the probability matrix of the current period's state n, together with the transition probability matrix to describe and predict the future movement of the same variables.

Since publication of the Markov model in 1905, research on the modeling of the probabilities of future occurrence in marketing has resulted in an extensive literature. However, a plethora of studies has contribution to our understanding of the conceptual assumptions underlying Markov models. Modeling of predicting future movement of the same variable has been highly applicable to the problems from a wide range of areas like account receivable analysis queuing problem analysis, inventory analysis etc.

Model proposed to deal with this phenomenon, can be studied at any level of depth and sophistication. Fortunately, the major mathematical requirements are just that you know how to perform basic matrix manipulations. In this paper we present some modification in the model. We also advance the model to design marketing strategy.

II. The Mathematical Model

To facilitate the application of Markov model to market share analysis, each firm's market share in the current period, which would be represented as π, (n) and is often defined as the percentage or probability of all the customers in the whole GSM market buying from each service provider, must first be obtained from historical record information in the form of relative frequency data. Also, each service providers customer retention rate together with each firm's customer switching rate are to be estimated from a survey of the past buying behavior of the customers. Each firm's customer switching in rate which is defined as the tendency or probability of a competing firm's customer in the present period to start purchase from a particular new service provider in the next period. The customer retention rate and switching rate would be assumed in the mathematical model to be constant from period to period because of our underlying assumption that our Markov models have a finite chain and with stationary transition probabilities.

In Nigeria, there are five GSM service providers – MTN, Globalcom, Airtel, Etisalat and M-tel. a market survey in year one revealed that the five service providers has a customer base of 500,000, 400,000, 300,000, 200,000 and 100,000 respectively. After one year (i.e. in year 2) a second market survey showed that MTN retained 400,000 of its customers, lost 40,000 to Globalcom, 30,000 to Airtel, 20,000 to Etisalat and 10,000 to M-tel; Globalcom retained 200,000 of its customers, lost 100,000 to MTN, lost 50,000 to Airtel,

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30,000 to Etisalst and 20,000 to M-tel; Airtel retained 200,000 of its customers, lost 40,000 to MTN, lost 30,000 to Globalcom, lost 20,000 to Etisalat and 10,000 to M-tel; M-tel retained 60,000 of its customers, lost 10,000 to MTN, 10,000 to Globalcom, 10,000 to Airtel and 10,000 to Etisalat. From this market survey, we can predict the market share for each GSM service providers in the successive years (i.e. year 2).

III. Application of Markov Model to Market Share Analysis of The Five Gsm Service Providers in Nigeria

A table that shows the movement or switching of customers among the five GSM service providers will be constructed as a prelude to computing both each service provider's state probability for the current month "n" which will be designated as π; (n), and the transition probabilities.

Note that the year which the sales of the service toke place triggers the transition in the Markov system and hence they are the trials of the Markov process (Bergous, 2008 cited in Michael et al, 2003).

Firms	Year one customer standing		Year two customer standing				
	Customers numbers	percentage %	MTN	GLO	Airtel	Etisalat	M-tel
MTN	500,000	33.3	400,000	40,000	30,000	20,000	10,000
GLO	400,000	26.7	100,000	200,000	50,000	30,000	20,000
Airtel	300,000	20.0	40,000	30,000	200,000	20,000	10,000
Etisalat	200,000	13.3	10,000	20,000	30,000	100,000	40,000
M-tel	100,000	6.7	10,000	10,000	10,000	10,000	60,000
	1,500,000	100	560,000	300,000	320,000	180,000	140,000

Table 1 : Customer's switching in each service firm in year 2

The total number of the customers retained, lost and gained will be calculated as a percentage or proportion of the total number of customers who originally patronized each service providers from the beginning (i.e. from year 1).

Proportion of Customers Retained, Gained and Lost					
Firms	MTN	GLO	Airtel	Etisalat	M-tel
MTN	400,000/500,000 = 0.8	40,000/500,000 = 0.08	30,000/500,000 = 0.06	20,000/500,000 = 0.04	10,000/500,000 = 0.02
GLO	100,000/400,000 = 0.25	200,000/400,000 = 0.50	50,000/400,000 = 0.125	30,000/400,000 = 0.075	20,000/400,000 = 0.05
Airtel	40,000/300,000 = 0.13	30,000/300,000 = 0.1	200,000/300,000 = 0.67	20,000/300,000 = 0.067	10,000/300,000 = 0.033
Etisalat	10,000/400,000 = 0.05	20,000/200,000 = 0.1	30,000/200,000 = 0.15	100,000/200,000 = 0.5	40,000/200,000 = 0.2
M-tel	10,000/100,000 = 0.1	10,000/100,000 = 0.1	10,000/400,000 = 0.1	10,000/100,000 = 0.1	60,000/100,000 = 0.6

Table 2 : Transition Probabilities Matrix of GSM Service Providers.

We can interpret table 2 using the MTN's row, it is found out that of the 500,000 customers that originally patronized MTN service in the beginning (in year one), by year 2, 80% of them were retained, 8% of them were lost to Globalcom service, 6% to Airtel, 4% were lost to Etisalat and 2% of them were lost to M-tel. Also, using MTN's column to interprets table 2, it can be explained that by year 2, 80% of the total customers that MTN had in year1, were retained, 25% of the total customers that Globalcom had in year 1, were gained by MTN, 13% of the total customers that Airtel had in year 1, were gained by MTN; 5% and 10% of the total customers that Etisalat and M-tel had respectively in year 1, were gained by MTN.

This interpretation can be generalized that for each firm in a column, the probabilities appearing under it, show either the percentage of that firm's initial customer retained or the percentage of other firms' initial customers gained by it. Whereas for each firm in the row, the probabilities appearing against it show either the percentage of that firm's initial customers retained or the percentage of that firm's initial.

Recall that the customer base of five service providers at the end of 2011 stand at:

$$Customer_{2011} = \begin{pmatrix} 500{,}000 \\ 400{,}000 \\ 300{,}000 \\ 200{,}000 \\ 400{,}000 \end{pmatrix} \quad Customer_{2012} = \begin{pmatrix} 560{,}000 \\ 300{,}000 \\ 320{,}000 \\ 720{,}000 \\ 140{,}000 \end{pmatrix}$$

The state probability vector will be expressed as:

$$sv_{2011} = \begin{pmatrix} 33.3 \\ 26.7 \\ 20.0 \\ 13.3 \\ 6.7 \end{pmatrix} \quad sv_{2012} = \begin{pmatrix} 37.3 \\ 20.0 \\ 21.3 \\ 12.1 \\ 9.3 \end{pmatrix}$$

With the information provided in table 1 and 2, we can produce the transition matrix as:

$$TM = \begin{pmatrix} 400{,}000 & 100{,}000 & 40{,}000 & 10{,}000 & 10{,}000 \\ 40{,}000 & 200{,}000 & 30{,}000 & 20{,}000 & 10{,}000 \\ 30{,}000 & 50{,}000 & 200{,}000 & 30{,}000 & 10{,}000 \\ 20{,}000 & 30{,}000 & 20{,}000 & 100{,}000 & 10{,}000 \\ 10{,}000 & 20{,}000 & 10{,}000 & 40{,}000 & 60{,}000 \end{pmatrix}$$

$$PM = \begin{pmatrix} 0.80 & 0.25 & 0.13 & 0.05 & 0.10 \\ 0.08 & 0.50 & 0.10 & 0.10 & 0.10 \\ 0.06 & 0.125 & 0.670 & 0.15 & 0.10 \\ 0.04 & 0.075 & 0.067 & 0.5 & 0.10 \\ 0.02 & 0.05 & 0.033 & 0.2 & 0.60 \end{pmatrix}$$

$$SV(2013) = PM \times SV(2012)$$

$$= \begin{pmatrix} 0.80 & 0.25 & 0.13 & 0.05 & 0.10 \\ 0.08 & 0.50 & 0.10 & 0.10 & 0.10 \\ 0.06 & 0.125 & 0.670 & 0.15 & 0.10 \\ 0.04 & 0.075 & 0.067 & 0.5 & 0.10 \\ 0.02 & 0.05 & 0.033 & 0.2 & 0.60 \end{pmatrix} \begin{pmatrix} 37.3 \\ 20.0 \\ 21.3 \\ 12.1 \\ 9.3 \end{pmatrix}$$

Therefore the state probability vector for 2013 which shows the market shares for MTN, GLO, Airtel, Etisalat and M-tel.

Market share for MTN by 2013 will be:

37.3(0.8) + 20 (0.25) + 21.3(0.13) + 12.1 (0. 05) + 9.3(0.10)
29.84 + 5 + 2.769 + 0.609 + 0.93
MTN = 39.15

Market share for GLO:

37.3 (0.08) + 20 (0.50) + 21.3 (0.10) + 12.1 (0.10) + 9.3 (0.10)
2.984 + 10 + 2.13 + 1.21 + 0.93
GLO = 17.25

Market share for Airtel:

37.3 (0.06) + 20 (0.125) + 21.3 (0.670) + 12.1 (0.15) + 9.3 (0.10)
2.238 + 2.5 + 14.271 + 1.815 + 0.93
Airtel = 21.75

Market share for Etisalat:

37.3 (0.04) + 20 (0.075) + 21.3 (0.067) + 12.1 (0.5) + 9.3 (0.10)
1.492 + 1.5 + 1.427 + 6.05 + 0.93
Etisalat = 11.40

Market share for M-tel by 2013:

37.3 (0.02) + 20 (0.05) + 21.3 (0.033) + 12.1 (0.2) + 9.3 (0.60)
0.7609 + 1 + 0.7029 + 2.42 + 5.58
M-tel = 10.45

Therefore the market share for MTN, GLO, Airtel, Etisalat and M-tel at the end of 2013 will be 39.15%, 17.25%, 21.75% 11.40% and 10.45% respectively.

From the mathematical model, we observed that by 2013, the market share of MTN increased from 33.3% to 39.15%, the market share of GLO decreased from 26.7 to 17.25%, the market share of Airtel slightly increased from 20% to 21.75% that of Etisalat decreased from 13.3% to 11.40%. Again, if the market share calculation is repeatedly done for subsequent future years, this trend, which depends principally on the nature of the matrix of transition probabilities, will continue until at steady state (or equilibrium) condition when the relative market shares will no more change from year to year. At equilibrium, consecutive steps possess identical characteristics, for any step of the Markov chain, the state probability vector is given by

$$SV(k) = Q(k) = \begin{pmatrix} q_1 \\ q_2 \\ q_3 \\ q_4 \\ q_5 \end{pmatrix}$$

Where $q_1 + q_2 + q_3 + q_4 + q_5 = 1$
At equilibrium, we have
$PmQ = Q$
and $Pm \times Q = Q$
that is

$$\begin{pmatrix} 0.80 & 0.25 & 0.13 & 0.05 & 0.10 \\ 0.08 & 0.50 & 0.10 & 0.10 & 0.10 \\ 0.06 & 0.125 & 0.670 & 0.15 & 0.10 \\ 0.04 & 0.075 & 0.067 & 0.5 & 0.10 \\ 0.02 & 0.05 & 0.033 & 0.2 & 0.60 \end{pmatrix} \begin{pmatrix} q_1 \\ q_2 \\ q_3 \\ q_4 \\ q_5 \end{pmatrix} = \begin{pmatrix} q_1 \\ q_2 \\ q_3 \\ q_4 \\ q_5 \end{pmatrix}$$

Multiplying and expressing in the algebraic form, we have

$$\begin{aligned} 0.80q_1 + 0.25q_2 + 0.13q_3 + 0.05q_4 + 0.10q_5 &= q_1 \\ 0.08q_1 + 0.50q_2 + 0.10\,q_3 + 0.10q_4 + 0.10q_5 &= q_2 \\ 0.06q_1 + 0.125q_2 + 0.670q_3 + 0.15q_4 + 0.10q_5 &= q_3 \\ 0.04q_1 + 0.075q_2 + 0.067q_3 + 0.5q_4 + 0.10q_5 &= q_4 \\ 0.02\,q_1 + 0.05\,q_2 + 0.033q_3 + 0.2\,q_4 + 0.60q_5 &= q_5 \end{aligned}$$

Recall that:

$$q_1 + q_2 + q_3 + q_4 + q_5 = 1$$

Therefore,

$$\begin{aligned} q_1 &= 1 - q_2 - q_3 - q_4 - q_5 \\ q_2 &= 1 - q_1 - q_3 - q_4 - q_5 \\ q_3 &= 1 - q_1 - q_2 - q_4 - q_5 \\ q_4 &= 1 - q_1 - q_2 - q_3 - q_5 \\ q_5 &= 1 - q_1 - q_2 - q_3 - q_4 \end{aligned}$$

$$\begin{aligned} 0.80q_1 + 0.25q_2 + 0.13q_3 + 0.05q_4 + 0.10q_5 &= 1 - q_2 - q_3 - q_4 - q_5 \text{ - - - - - - - - Equation 1} \\ 0.08q_1 + 0.50q_2 + 0.10\,q_3 + 0.10q_4 + 0.10q_5 &= 1 - q_1 - q_3 - q_4 - q_5 \text{ - - - - - - - - Equation 2} \\ 0.06q_1 + 0.125q_2 + 0.670q_3 + 0.15q_4 + 0.10q_5 &= 1 - q_1 - q_2 - q_4 - q_5 \text{ - --- - - -- Equation 3} \\ 0.04q_1 + 0.075q_2 + 0.067q_3 + 0.5q_4 + 0.10q_5 &= 1 - q_1 - q_2 - q_3 - q_5 \text{ - - - - - - - Equation 4} \\ 0.02\,q_1 + 0.05\,q_2 + 0.033q_3 + 0.2\,q_4 + 0.60q_5 &= 1 - q_1 - q_2 - q_3 - q_4 \text{ - - - - - - - - Equation 5} \end{aligned}$$

Collecting like terms together we have;

$$\begin{aligned} 0.80q_1 + 0.25q_2 + 0.13q_3 + 0.05q_4 + 0.10q_5 &= 1 \\ 0.08q_1 + 0.50q_2 + 0.10\,q_3 + 0.10q_4 + 0.10q_5 &= 1 \\ 0.06q_1 + 0.125q_2 + 0.670q_3 + 0.15q_4 + 0.10q_5 &= 1 \\ 0.04q_1 + 0.075q_2 + 0.067q_3 + 0.5q_4 + 0.10q_5 &= 1 \\ 0.02\,q_1 + 0.05\,q_2 + 0.033q_3 + 0.2\,q_4 + 0.60q_5 &= 1 \end{aligned}$$

Solving for q1, q2, q3, q4, and q5, by row operations, we have:

First Tableau

$$\left(\begin{array}{ccccc|c} 0.80 & 1.25 & 1.13 & 1.05 & 1.10 & 1 \\ 1.08 & 0.50 & 1.10 & 1.10 & 1.10 & 1 \\ 1.06 & 1.125 & 0.670 & 1.15 & 1.10 & 1 \\ 1.04 & 1.075 & 1.067 & 0.5 & 1.10 & 1 \\ 1.02 & 1.05 & 1.033 & 1.2 & 0.60 & 1 \end{array}\right) \quad \begin{array}{l} 0.80R_2 - 1.08R_1 \\ 1.04R_3 - 1.06\,R_4 \\ 1.02R_4 - 1.04R_5 \\ 0.80R_5 - 1.02R_1 \end{array}$$

Second Tableau

$$
\left(\begin{array}{ccccc|c}
0.80 & 1.25 & 1.13 & 1.05 & 1.10 & 1 \\
0 & -0.95 & -0.34 & -0.25 & -0.30 & -0.28 \\
0 & 0.03 & -0.43 & 0.67 & -0.02 & -0.02 \\
0 & 0.01 & 0.01 & -0.74 & 0.5 & -0.02 \\
0 & -0.44 & -0.33 & -0.11 & -0.64 & -0.22
\end{array}\right)
\begin{array}{l}
\\
\\
-1.04R_3 - 1.06R_2 \\
-1.02R_4 - 1.04R_5 \\
-0.80R_5 - 1.02R_2
\end{array}
$$

Third Tableau

$$
\left(\begin{array}{ccccc|c}
0.8 & 1.25 & 1.13 & 1.05 & 1.10 & 1 \\
0 & -0.95 & -0.34 & -0.25 & -0.30 & -0.28 \\
0 & 0 & -0.42 & 0.63 & -0.03 & -0.03 \\
0 & 0 & 0.001 & -0.33 & 0.21 & -0.01 \\
0 & 0 & 0.16 & -0.01 & -0.48 & -0.09
\end{array}\right)
\begin{array}{l}
\\
\\
\\
0.16R_4 - 0.00R_5 \\
0.42R_5 - 0.16R_3
\end{array}
$$

Forth Tableau

$$
\left(\begin{array}{ccccc|c}
0.8 & 1.25 & 1.13 & 1.05 & 1.10 & 1 \\
0 & -0.95 & -0.34 & -0.25 & -0.30 & -0.28 \\
0 & 0 & -0.42 & -0.63 & 0.03 & 0.03 \\
0 & 0 & 0 & 0.05 & -0.03 & 0.01 \\
0 & 0 & 0 & 0.10 & 0.20 & 0.03
\end{array}\right)
\begin{array}{l}
\\
\\
\\
\\
0.05R_5 - 0.1R_4
\end{array}
$$

Final Tableau

$$
\left(\begin{array}{ccccc|c}
q_1 & q_2 & q_3 & q_4 & q_5 & \\
0.8 & 1.25 & 1.13 & 1.05 & 1.10 & 1 \\
0 & -0.95 & -0.34 & -0.25 & -0.30 & -0.28 \\
0 & 0 & -0.42 & -0.63 & 0.03 & 0.03 \\
0 & 0 & 0 & 0.05 & -0.03 & 0.001 \\
0 & 0 & 0 & 0 & 0.01 & 0.001
\end{array}\right)
$$

At the final tableau, we can calculate the market share for q_5.

Therefore; $0.01q_5 = 0.001$

$$q_5 = \frac{0.001}{0.01}$$

$$q_5 = 0.1$$

We can as well compute the market share at q_4

$$0.05q_4 + -0.03q5 = 0.001$$

$$0.05q_4 + -0.03(0.1) = 0.001$$

$$0.05q_4 - 0.003 = 0.001$$

$$0.05q_4 = 0.001 + 0.003$$

$$0.05q_4 = 0.004$$

$$q_4 = \underline{0.004}$$

$$0.05$$
$$q_4 = 0.08$$

$$\text{At } q_3 = 0.42q_3 + (-063q_4) + 0.03q_3 = 0.03$$
$$0.42q_3 - 0.0504 + 0.003 = 0.03$$
$$0.42q_3 = 0.0774$$
$$q_3 = \frac{0.0774}{0.42}$$
$$= 0.1840$$
$$\text{At } q_2 = -0.95q_2 + -0.34q_3 + -0.25q_4 + -0.30q_5 = -0.28$$
$$-0.95q_3 - 0.0626 + 0.02 - 0.03 = -0.28$$
$$-0.95q_2 = -0.28 + 0.0626 + 0.03 + 0.03$$
$$-0.95q_2 = -0.28 + 0.1126$$
$$-0.95q_2 = -0.28 + 0.1674$$
$$q_2 = \frac{-0.1674}{-0.95}$$
$$q_2 = 0.1762$$

Recall that;

$$q_1 + q_2 + q_3 + q_4 + q_5 = 1$$
$$q1 + 0.1762 + 0.1840 + 0.08 + 0.1 = 1$$
$$q1 + 0.5402 = 1$$
$$q1 = 0.4598.$$

Therefore, at equilibrium or steady state condition, the market share of the five GSM service providers in Nigeria at the long-run are 46%, 18%, 18%, 8%, and 10% respectively. Note that the steady state, state probability (market share) for all service providers depend solely on the nature of the transition probabilities and not on initial state probabilities (market share) for each of the five service providers.

Clearly, MTN is still leading the GSM market in Nigeria and their greatest challengers is Globalcom but there is a high rate of customer deflections in Airtel, Etisalat and M-tel, which is affecting their market shares. We now discuss appropriate marketing strategies that will reduce customers switching and retention through Markov model in the next section.

IV. Markov Model for Designing Marketing Strategy

For us to use Markov model to design marketing strategy, there must be an evidence of customer switching and reduction in market share. Recall in the last paragraph that the market share of Airtel at the beginning was 20% at the second year, it increased slightly to 21.75% but at equilibrium, it reduced to 18%, in a worst case scenario, if the nature of the transition probabilities is such that a particular competitor loses customers to others and gain no customers from other competitors, at equilibrium, that competitor could be driven out of business. For the above, no matter the control a firm has in the industry regarding market share, the nature of the matrix of transition probabilities can make the firm to be driven out of business in the long run (at equilibrium).

Under this situation, the two options available to use are either to use the retention strategy or the both strategy simultaneously. For instance, Airtel succeeds in its use of retention strategy to raise its customer's retention rate from 67% to 80% while its rate of gaining its competitor's customers remain constant at 10%, the new matrix of transition probabilities will be;

$$\begin{pmatrix} 0.80 & 0.20 \\ 0.10 & 0.90 \end{pmatrix} \begin{pmatrix} q_1 \\ q_2 \end{pmatrix} = \begin{pmatrix} q_1 \\ q_2 \end{pmatrix}$$

$$0.80q_1 \quad 0.20q_2 = q_1$$
$$0.10q_1 \quad 0.90q_2 = q_2$$
$$0.80q_1 + 0.20q_2 = 1 - q_2$$
$$0.10q_1 + 0.90q_2 = 1 - q_1$$
$$0.80q_1 + 1.2q_2 = 1$$
$$1.1q_1 + 0.90q_2 = 1$$

$$\left(\begin{array}{cc|c} 0.80 & 1.2 & 1 \\ 1.1 & 0.90 & 1 \end{array}\right) \quad 0.8R_2 - 1.1R_1$$

$$\left(\begin{array}{cc|c} 0.80 & 1.2 & 1 \\ 0 & -0.6 & -0.3 \end{array}\right)$$

The steady state market share for Airtel from this new matrix transition probabilities is 50% which implies that the increase Airtel's customer retention rate from 67% to 80% alone, increased its equilibrium market share from 18% to 50%.

On the other hand, if Airtel successfully utilizes an acquisition strategy to raise its rate of gaining its competitor's customers from 10% to 20% while its customer retention rate remains constant at 67%, the new matrix of transition probabilities will be;

$$\begin{pmatrix} 0.67 & 0.33 \\ 0.20 & 0.80 \end{pmatrix}$$

The steady state market share for Airtel from this new matrix is 56% which implies that only an increase of Airtel rate of gaining its competitor customers from 10% to 20% increased it equilibrium market share from 18% to 56%.

Finally, if both retention strategy and customer acquisition strategy are put in place for the organization simultaneously in a form that Airtel's retention rate increase from 67% to 80% and its rate of gaining its competitor's customer increased from 10% to 20% the new matrix of transition probability will be;

$$\begin{pmatrix} 0.80 & 0.20 \\ 0.20 & 0.80 \end{pmatrix}$$

This new matrix of transitional probability from the combined marketing strategy results in a steady state market share of 100% for Airtel compared to 18% when neither strategy was used.

V. Conclusion

In this paper, we attempted to offer some understanding of strategies to be uses in raising customer retention and customer acquisition strategy. We advanced the appropriate marketing strategy using the Markov model to design the needed strategy when firm, has decreasing market share and high customer switching. However, not all the firms has a decreasing market share but what we are saying is that, firm's which has control of the market share of the industry will also need an appropriate marketing strategy to remain in business. Firms required retention strategy in which attempts are made to retain a large percentage of old customers. For example, MTN, GLO, Airtel, Etisalat and M-tel. The five GSM service providers need retention strategy by providing superior service quality, by giving a rebate and by giving discount to customers who purchase in repeated periods. Another type of marketing strategy needed to increase market share is the acquisition strategy in which attempts are made to take customers way from other competitors. The most appropriate way to do this is through all forms of effective advertising. When firms successfully utilizes an acquisition strategy to raise its rate of gaining its competitor's customers while its customers retention rate remains constant, then new matrix of transition probability will increase its equilibrium market share.

Finally, the model can be used to design both retention strategy and customer acquisition strategy simultaneously in a form that retention rate increase and its rate of gaining its competitor's customer increases. The new matrix of transitional probabilities from the combined marketing strategy will result in a stead state market share which will lead to reduction in customer switching.

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Preferences for Destination Selection and Fulfillment of Religious Obligations: A Study of Pilgrimage Tourism Circuit (Velankanni, Nagore and Thirunallar) in Tamilnadu

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Abstract - "Pilgrimage tourism; rather it is a form of tourism motivated, partly or wholly by religious motives closely or loosely connected with holiday making or with journey undertaken for social,cultural or political reasons over short or long distances".The study would contribute to identify the need for pilgrimage tourism development in Tamilnadu with special reference to Velankanni, Nagore and Thirunallar. Tamilnadu has varied tourism destination which satisfy the needs and demands of almost every class of visitors.This study aims to study pilgrimage tourist motivators, tourist profile and problem and opportunities with respect of accommodation, accessibility, attractions and amenities in Velankanni,Nagore,Thirunallar. The first two holy sites are located in the state of Tamilnadu and the last one is located in Karikal as one of the enclaves of the UT of Puducerry. This study aims to suggest measures to make pilgrimage tourism economically viable and suggest appropriate and effective promotional strategy for promoting pilgrimage tourism inVelankanni,Nagore,Thirunallar.the analysis part includes anova,chi square,t-test,cross- tabs, friedman mean rank test.results were shown and interpretations had written in this article. this article explains the Infrastructural facilities and pilgrimage tourism avenues in Tamilnadu This study aims to suggest measures to make pilgrimage tourism economically viable and suggest appropriate and effective promotional strategy for promoting pilgrimage tourism inVelankanni,Nagore,Thirunallar.the present study has focused upon the three prominent pilgrimage sites in South India, i.e. Velankanni, Nagore and Thirunallar.

Keywords : Pilgrimage tourism, Strategy, Promoting, Infrastructural facilities & Amenities.

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PREFERENCES FOR DESTINATION SELECTION AND FULFILLMENT OF RELIGIOUS OBLIGATIONS A STUDY OF PILGRIMAGE TOURISM CIRCUIT VELANKANNI, NAGORE AND THIRUNALLAR IN TAMILNADU

Strictly as per the compliance and regulations of:

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I. Introduction

Tourism industry is globally known for its diversity and plurality in terms of the product portfolios. One of the powerful forms of tourism is pilgrimage that fuels unprecedented demand for the rise of the growth of domestic tourism worldwide. India is one of the finest countries with having rich civilization and culture and travelling to the holy shrines is an integral part of the life of the people belonging to all the principal religions in India. More than 70 per cent of the visitors do pay their trips to the holy places and this critical mass of the domestic tourism determines the huge movement of people and their travel and hospitality requirements during their sojourns at the respective sites. Having been inspired with the remarkable growth of domestic tourism backed largely by the motive for pilgrimage activities, the present study has focused upon the three prominent pilgrimage sites in South India, i.e. Velankanni, Nagore and Thirunallar. The first two holy sites are located in the state of Tamilnadu and the last one is located in Karikal as one of the enclaves of the UT of Puducerry.

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II. Hypotheses

- H01: On the criterion of preferences of destinations selection and fulfillment of religious obligations, no significant of mean differences exit between the pilgrims/ tourists who visit ONCE and MORE THAN ONCE to the pilgrim tourism circuits in Tamil Nadu.
- H02: No significant differences of experience of sample tourist respondents across the duration of stay on the key destination selection determinants
- H03: No significant associations are established between the services across the category of accommodations, key communication network and key amenities and selection of hotel and frequency of visit.

III. Objectives of The Study

The study has made an attempt

- To develop a theoretical background by exploring the relevant gap in the study;
- To find out the preferences for visiting the pilgrimage sites (Velankanni, Nagore and Thirunallar);
- To study the relationship between preferences for selecting the destinations and the fulfillment of religious objectives
- To present the tourist arrivals and its corresponding infrastructure development ;
- To assess the tangible and intangible attributes of these destinations supporting directly and indirectly to the pilgrimage tourism ; and
- To suggest ways and means to position pilgrimage tourism as one of the vibrant form in Tamil Nadu.

IV. Review of Literature

Pilgrimage Tourism is a long journey for search of knowledge and enlightenment (Gill ,1999). Pilgrimage Tourism in India is almost as old as Indian civilization (Singh, 1977, is motivated by faith or religious reasons for centuries (Priya, 2001); and becomes the functional and symbolic of traditional religious practices. Pilgrims are the special tourists whose purpose is to visit the place and get involved in the religious activities (Sanjay,1985). Differences in behavioral attributes like perception, attitudes and motives vary according to the cultural background and personality. Majority of domestic tourists are pilgrimage tourists, whose behaviors depend on the experience about the pilgrimage sites (Pauline, 1966).

There is a close relationship of between religious needs and facilities at the pilgrimage tourism centers (Rathod, 1999). Local hospitality is one of the most important components of pilgrimage tourism and the hospitality industry thrives on service quality and facilities to ensure customer's satisfaction. (Tomasi, 2002). Pilgrimage tourism is a leisure-oriented travel and recreation and religious needs are the elements of pilgrimage tourism (Bajpai, 1954). Pilgrim sites tend to deviate from their original purposes (Tyrakowski, 1994). Pilgrimage tourism as a form of travel provides opportunities for people to visit sacred places and is a feature common to almost all societies (Kiran,1991). The facilities such as accommodation, transportation, *darshan*, food and drinking water, shopping are essential at the pilgrimage sites center and the behaviour of the local people with the pilgrims is also important (Rathod,1999). Pilgrims do travel to pilgrimage site by taking various modes of transportation and the selection of transportation depends on the cost, speed and safety (Pauline,1966). Hospitality is one of the most important components of pilgrimage tourism industry to satisfy the tourist expectations (Sharma, 1998). In many regions, pilgrimage tourism thrives only due to the presence of the hospitality industry (Aziz,1985) Pilgrimage to Mecca is increasing due to the travel itinerary, communication network, infrastructure and public transport (Rana, 2003). Pilgrimage sites are like any other tourism destinations and they meet the needs of both religious believers and more general holidaymakers (SHUO, 1993). Adequate facilities and amenities would lead to the rise of pilgrimage tourism in Islamic countries (Shakiry, 2001). Religious tourism faces serious hurdles like poor tourism infrastructure (Nevatia, 2001).

V. Methodology

The process of research design includes the exploratory study consisting of literature survey and in-depth interview. The sampling method selected for the study is "convenience sample" in the non-probability category. As many as 500 tourists were interviewed at the sites. The questionnaire has two parts highlighting on the demographic profiles of the respondents and various dimensions of pilgrimage tourism with regard to Nagore, Thirunallar and Velankanni. These statements were measured through the five point Likert scales. The sources of data collection consist of both primary and secondary sources. Data analysis was done by using mean and standard deviation along with Levine's independent t test, chi-square and Anova test.

VI. Results

- The mean differences on the accommodation services between the two groups of sample tourist respondents are significantly different in case of selection of accommodation and restaurant, whereas the hypothesis is not rejected in case of other elements of accommodation services such as reception upon arrival, reservation procedures, front office staff, personal hygiene and room and food services.
- The hypothesis titled "no mean differences exist between those pilgrims who visit once and more than once while transportation services are taken into consideration" is not rejected in case of the components of transport services, such as well-connected by road transport, operation of government/private bus services regularly, reasonable bus fare, improvement of rail connectivity, regular buses from major towns and cities of Tamil Nadu and over congestion of buses.
- The hypothesis that is "two groups of sample tourist respondents do not significantly differ while experiencing the basic Services as one of the preferences for destination selection" is rejected in respect of banks and ATM services with .004 and not rejected in case of other core parts of the basic services such as road condition, road maintenance, approach roads, parking space, traffic arrangement and health services.
- The hypothesis that is entitled as there are no significant mean differences between sample tourist respondents who visit once or more than once when they find the standard of key amenities is not rejected in case of all the key aspects of amenities determining the experience of the pilgrims at the religious sites. The elements which are rejected include purified drinking water facilities, provision of rest shed, toilet and wash rooms, cloak rooms, shopping centres, hygienic and clean, safety & security, police outpost, pleasant place and peaceful place
- The hypothesis is titled as religious duties as the major driving motivational forces stimulating the religious oriented people to undertake travel, the mean experience of sample respondents is not

significantly difference on each element representing the religious obligations. The significance of the test has rejected all the indicators signifying the fulfillment of religious obligations. These elements include hospitable and helpful people, rituals as per the tradition and custom, no obstruction of wearing any modern dress, colourful and eventful festivals, more enjoyment during festivals and delightful local cuisine or food.

- The hypothesis that is titled as there is no significant differences between the three groups of sample tourist respondents on experiencing the basic infrastructure is rejected with 0.05 per cent degree of significance. The elements which are rejected with .045, .001, ,000, ,012, .000 and .002 include road condition, maintenance, banks and ATM services, approach roads, parking areas and traffic management . One element health services are not rejected with the significance level of .663.
- The hypothesis is stated as there is no significant differences across the sample respondents on the amenities provided to the pilgrims for comfortable and this hypothesis is rejected in case of all the element of selected amenities at the three respective religious sites , excepting cloak room and shopping centre facilities.
- The hypothesis is stated as there is no significant differences across the sample respondents on the amenities provided to the pilgrims for comfortable and this hypothesis is rejected in case of the element of selected amenities such as purified drinking water, rest shed, toilet and wash rooms and hygienic and clean at the three respective religious sites , excepting cloak room and shopping centre facilities.
- The hypothesis is titled as "significant differences of the three groups of sample respondents do not exist on the criterion of law and order as the key destination selection determinants" . The hypothesis is rejected in case of all the related elements representing the law and order situations at the religious sites, whereas the hypothesis is rejected the statement "I do not face any difficulty in moving alone or with family members"
- Differences of experiences between the sample respondents are not significant while taking religious obligations as one of the criterion for the destination selection. The hypothesis is rejected with .000, .003, .002, .012 and .004 in case of rituals, no obstruction, festivals and coincidence with festivals, whereas the hypothesis is not rejected in case of hospitable and helpful people with .390 significance level.
- The experiences on the communication network that were derived by the pilgrims/ tourists while visiting the pilgrim tourism sites are not significantly different. This hypothesis is rejected with .000, .026, .000, .009 and .000 in case of operation of govt. and private bus services, reasonable bus fare, train connection, connectivity of bus services from the major towns of Tamil Nadu and over congestion and is not rejected in case of well-connectivity
- There are no significant associations between quality of services, reception of upon arrivals, prompt in settling the bills, personal hygiene and experience traffic and types of hotels selected by the sample tourist respondents. The results of Pearson Chi-Square test do reject the hypothesis in case of quality of services, reception, reservation procedures, prompt in settling bills, personal hygiene and expensive tariff and its association with the preferences of selecting types of accommodation.
- There are no significant associations between road condition, Road Maintenance , Banks and ATM, Approach Roads, Parking , Parking Arrangement, Health Services and frequency of visit. The test results of Pearson Chi-Square test have not rejected the association of frequency of visits with road condition, maintenance, banks and ATM, parking areas, parking arrangements and heath services. The results further explained that pilgrims are obliged to travel to these religious sites irrespective of all this factors.
- There are no significant associations between drinking water , rest shed , toilet & wash rooms, cloak services, shopping centre , hygienic & clean and frequency of visit . The hypothesis is not rejected since the frequency of visits is independent of the amenities at the religious sites as Pearson Chi-square test results revealed.
- The test results of the Friedman mean rank revealed that the difference of the mean rank values is validated hypothetically and news paper article has become the highest mean rank factor with the mean rank 3.66. Thus, asymp. Sig. is less than 0.05, the Friedman test results support the differences of rank value of all the six sources of collecting information while making travel plan to these religious sites.
- The Friedman mean rank results showed that all the elements have influenced the preference for selection of accommodation . However, easy reservation with the mean rank value 3.36 becomes the highest rank that maximum influences the preference for the selection of accommodation. The significance of the results is further validated with the symp. Sig. .000 that is less than 0.05.
- The Friedman mean rank results revealed that online transfer becomes the most convenient more for payment for travel services as it is supported with mean rank value 2.76 and the order of the rank

is significant with Chi-square (.000.). Besides, all other modes of payment such as third person payment, debit/credit card and cash are also appeared to have become the preferred mode for payment of travel services.

- The Friedman mean rank results revealed that comfort becomes the most preferred criteria for selection for transport services since the mean rank (4.65) for the factor is highest and the order of the rank is significant with Chi-square (.000.). It is appeared to have indicated that all other factors like regularity, affordability, safety, behaviour of staff, easy payment and quick alternative are some the preferences for the selection of transport services apart from comfort, being the first preference.
- The Friedman mean rank results revealed that fulfillment of long-cherished desire is identified as the most preferred factor to select these religious sites to visit in the life time The mean rank is 4.48 and the Chi-square test is less than 0.05 (.000.). Apart from being influenced by the fulfillment of long-cherished desire, other preferences such as rituals and offering, festivals, strong religious belief and faith, enlightenment of life, giving alms to poor and enrichment of knowledge are also some of the preferences that mostly influence the selection of pilgrimage centres.

VII. Findings

- As many as 368 male tourist respondents were interviewed for the study as against 132 female respondents. Across the three groups of respondents on the basis of age consisted of 168 (33.6 %) of below 25 year, 251 (50.2 %) of 26-50 years and 81 (16.2 %) .
- Out of the sample respondents, majority of the respondents 341 (68.2 %) were married, followed by 111 (22.2%) were unmarried and 48 (9.6%) were bachelor and spinster respectively.
- Monthly income of the three categories of respondents clearly reflected that 223 (44.6%) had sum of rupees 10,000 as monthly income, followed by 166 (33.2%) with a range between Rs. 10,001 and Rs. 20,000 monthly income and 111 (22.2 %) with a monthly income of Rs.20,001 and above.
- Across the three categories of sample respondents, majority of them 266 (53.2%) made an expenditure of Rs. 5,000 and less during their visit to their respective pilgrim site, that is followed by 142 (28.4%) with an expenditure of Rs.5001-Rs.10,000 and 35 (7 %) with an expenditure of Rs.15,001 and above.
- Majority of the respondents 260 (52.0%) visited their respective holy sites with family and friends, that is followed by 142 (28.4%) and 98 (19.6%) number of respondents paid their visit with their affinity groups.
- A little more than forty per cent of the respondents 216 (43.2%) stayed in the lodges and guesthouses as against a little more than one fourth of the respondents 144 (28.8%) preferred to stay in the hotel. On the other hand, one fourth of the respondents 126 (25.2%) sojourned at the paying guest place and an insignificant number of respondents 14 (2.8%) could stay with their friends and relatives during their visit.
- Across the three groups on the basis of duration of stay, a little less than half of the sample respondents 241 (48.2 %) could stay at the religious sites about 1-3 days as compared to other two groups. A little more than one fourth 141 (28.2%) and a little less than one fourth of them could stay 1-6 days and one week and more respectively.
- A little more than half of the sample respondents 266 (53/2 %) visited their respective religious sites once as against 234 (46.8%) of them visited more than once. Respondents belonging to the age group between 26 and 50 are 130 or 55.6 per cent and similarly, 59.5 per cent belonging to the age group of 25 and less visited for the first time.
- Out of the 73.6% or 368 male sample respondents, 53 .5 per cent or 197 visited for the first time and 52. 3 per cent of the female respondents also visited first time.
- Out of 68.2 per cent or 341 sample respondents who are married, half of them visited more than once and once, whereas out of 22.2 per cent of the unmarried sample respondents, 58.6 per cent (65) visited once.
- As many as 341 (68.2 per cent) were the Hindu devotees, followed by 111(22.2 %) were the Christians and the remaining 48 (9.6 %) were Muslims. Out of 341(68.2 %) Hindu pilgrims visited Velankini, 195 (57.2%) are first time visitors. Similarly, it is reported that the number of first time pilgrims has outstripped the number of repeat visits in case of pilgrims belonging to other two religions.
- Majority of the sample respondents 223 (44.6 %) with having income Rs.10,000 and less could visit their religious sites. Out which, more than half of them (129 (57.8%) had the income of Rs. 10,0000 and less.
- Out of 266 (53.2 %) of the sample tourist respondents who visited once and more than once, 151 (56.8%) of them could spend Rs. 5000 or less. Similarly, a little more than half 266 (53.2 %) of the first time visitors who spent from Rs.5000 or less to Rs. 15,001 or more during their sojourn.
- A little half of the respondents extended their halt about 1-3 days and the remaining was shared by 141 (28.2%) respondents with a 1-6 days duration and 118 (23.6%) with one week and more duration at the religious sites.

Global Journal of Management and Business Research Volume XII Issue XVII Version I Year 2012

- As much as 33 per cent (165) found room tariff expensive as compared to 31.4 per cent (157) as transport tariff and 27.6 per cent (138) as food tariff.
- Across six major motivational factors that generally drive the tourists to visit the pilgrim sites, 31.2 per cent (156) visited for temple, followed by 20.8 per cent for beaches, 20. 6 per cent churches, 17.4 per cent for mosque.
- A little more than half of the sample respondents 260 (52.0%) were accompanied by the family and friends when they visited their respective religious sites as against 142 (28.4 %) visited independently or alone and 98 (19.6%) visited with the affinity groups.
- Almost half of the sample respondents (251 (50.2 %) belonged to the age group between 26 and 50, whereas almost one third of them belonged to the age group below 25, that is followed by 16 per cent (80) of them belonged to the age group of 51 and above

VIII. Suggestion & Recommenedation

- Provision of infrastructure facilities/basic amenities at pilgrimage tourist destination (viz.drinking, toilet facilities, restaurant, cloak room, signages etc)
- Provision for dress changing room, rest shed bathrooms, pathway and protective ring around ponds, hand railings and etc
- Children's park and power supply, street lights.
- Provision for roads, pathways, parking.
- Lodges, hotels, lighting facilities.
- Immediate replacement of old and worn out coaches/tempo travels.
- Up gradation of the restaurants of TTDC with first class furniture and interiors.
- Introduction of cost reduction measures in hotels like the energy saver, etc.
- The present study suggest that different types of the facilities to the pilgrims are so important. Though Tamil Nadu has become the main transport religious state ,. The TTDC buses are not available as per timetable in the festival duration. And it is necessary to build the railway route at Velankanni.
- To lodge in Tamil Nadu pilgrimage site we have only few Dharmashala that is why the lodging problem is increasing per pilgrims. As per my knowledge, the following lodging facilities should be given to the pilgrims. To increase the numbers of Dharmashala by the side of pilgrimage sites.
- The hotels, Lodges should be available in large number but room rate is very high. The temporary living facilities should be available at around pilgrimage sites. .The local religious trust should be paid the attention on the market of the devotional goods and daily needs items that whether the shopkeepers sell the goods in proper prices or not.
- The pilgrims are not satisfied with existing facilities provided at pilgrimage sites, food and drinking water facilities also. Shopping facilities and about the personal safety the pilgrims seem to be satisfactory.

IX. Suggestive Measures and Interventions

- It is suggested that reception upon arrival, reservation procedures, front office staff, personal hygiene and room and food services are some of the critical elements of improving the quality of accommodation services. Both the government and private tourism service providers should seriously look into the shortcomings that may impede the growth of pilgrimage tourism in the tourism circuit.
- It is strongly suggested that the transport network highlighting on the connectivity, operation, regularity and reasonable fare should be improved round the year and more specifically, during the festive occasions. It is also suggested that transport tariff should be reasonable to the pilgrims as majority of them are budget category of tourists. The study has also recommended that government should evolve some mechanisms to subsidize the cost of visiting these holy pilgrim sites in Tamil Nadu. More particularly, domestic tourists with the proof of Below Poverty Line (BPL) should be provided with transport subsidy as there is no difference of experience of the first time and repeat visitors with regard to the improvement of transport network and other ancillary benefits.
- The findings of the study have suggested for the improvement of basic facilities such as road, parking areas, traffic and health services. Since there is a strong relationship between preferences for destination selection and improvement in basic services, efforts should be made at the higher level of the government administration to help build the infrastructure at all three sites. When these three religious sites have gained visibility worldwide, the Government of Tamil Nadu can take increase the domestic tourist arrivals by showcasing the pilgrim tourism circuits.
- The study has also found insufficient provisions for purified drinking water facilities, rest shed, toilet and wash rooms, cloak rooms, shopping centres, hygienic and clean, safety & security and police and it is suggested to the Government to gear up with adequate budgetary outlays to make the amenities of the three places more visitor friendly, thereby making the palce more pleasant and peaceful as the symbol of spiritualism. As such, most of the holy shrines and pilgrimage sites are facing the problem of unhygienic, litter, crime, contaminated water. Thus, approaches should be

made to help the religious sites overcome the problem of maintaining the amenities with the direct intervention of the PWD, Heath Department, Home Department, etc and the Ministry of Tourism should take the lead role in bringing all them into one umbrella resolve the chronic problem.

- Religious duties as the major driving motivational forces stimulating the religious oriented people to undertake travel, the mean experience of sample respondents is not significantly difference on each element representing the religious obligations. Thus, the study is very unique in finding the linkage between the religious obligations of the pilgrims and sanctified atmosphere of the religious sites. Fortunately, all these three places have preserved the sanctity and purity of the places from the religious perspectives for which a stead stream of visitors are arriving into these holy places irrespective of several personal and destination related constraints.
- Since the duration- of -stay is a critical independent factor influencing the experience of the visitors at the religious sites; the study has found the differences of experiences of the sojourners on basic infrastructure. Moreover, religious tourists are generally long-haul visitors and their length- of- stay is relatively more due to their attachment to the religious places. With this backdrop, the study has suggested to ensure the improvement of infrastructure to help the pilgrims stay comfortably.
- The study has found the differences of experiences of pilgrims on the amenities at the three religious sites, it is suggested that the existing provisions of amenities are extremely inadequate and more provisions should be made to improve the condition of the amenities, thereby making tourists feel at home and their stay comfort and memorable.
- Law and order is one of the socio-political risk factors that mostly hamper the tourism business whether it is special interest or common interest tourism. The study has found out sharp differences of experience of the pilgrims about the law and order situation at these three religious sites. Thus, it is suggested that the government should be more vigilant in enforcing the law and order when these three places receive huge number of tourist traffic during the festivals and other auspicious occasions. More police outpost and the concept of community police should be introduced to help maintain the law and order in a sustainable way.
- The are differences of experience of the sample tourist respondents on many of the elements signifying the religious obligations. Therefore, it is suggested that the ultimate purpose of visiting these three sites should be respected since the performing rituals and offering prayers are some of the activities that most of the pilgrims do at the sites. Efforts should be made to inspire the people and respect the emotional sentiments and attachment to the places.
- While rejecting the most of the elements in the hypothesis, the study has strongly suggested for an effective communication network so as to ensure the operation of the transport more regular, affordable, reliable and adoptable.
- The lack of association between the service attributes of the accommodation and selection of the types of hotel has led to providing a critical thought of bring about a radical change in the operation of the accommodation units at these three religious sites. It is suggested that government should enhance the capacity of the frontline staff in the hotel by conducting regular training programme. More particularly, soft skills and personal grooming and etiquette should be the agenda of the training programme, thereby imbibing the professional culture in the hospitality sector.
- When the results showed no association between the frequency of visit and primary facilities, it is quite pertinent to suggest that government should take note of this finding and be proactive in making adequate provisions of primary facilities for the comfort and safety of the pilgrims visiting the religious sites.
- The Department of Tourism, Govt. of Puducherry and Tamil Nadu should promote the pilgrim tourism circuit with the aid of travel magazines, brochures/ newspaper. As it seems from the mean rank results that preference of the visitors to collect travel related information is high.
- Since it is revealed that timely services is the first rank preference factor with the test of significance, thus, all the service providers should seriously ponder over and find the ways to make efficient and effective time services at the hotel, restaurant, bus stand, etc.
- As the sample respondents preferred the easy reservation procedures to reserve the room, perhaps the present reservation methods are not as effective as it is desired for the industry. Thus, all accommodation operators should take cognizance of it and imbibe professionalism along with technology –driven into the reservation procedures.
- It is expected that online transfer would be the highest preference for making the payment for travel services as majority of the visitors are tech-savvy or they get it done through some body. The process of online transfer services should be encouraged and clients should be given discount when they make the payment through online.
- Since comfort has become the highest preference for the visitors while visiting these religious sites,

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transport service providers should pay attentions to improve the comfort of the passengers along with other factors such regularity, affordability, safety, behaviour of staff, easy payment and quick alternative .

- The results of Friedman mean rank has made the fulfillment of long-cherished desire as the highest preferred mean rank factor, it is in the line of the common understanding of selecting the pilgrimage center. However, other six factors have also been preferred while selecting these three religious places. Thus, it is suggested that government administration and private tourism establishment should be serious concerned for the long-cherished desire that is quite sensitive, emotional and personal.

X. Conclusion

The data presented in this chapter indicate the potential for pilgrimage tourism development in Velankanni, Nagore and Thirunallar. .although development to date has been limited to few major sites,the analysis shows that it should be possible to spread the development of pilgrimage tourism to more parts of the region.particularly taking into account the potential for combining pilgrimage tourism with cultural and the potential for developing new age or pilgrimage tourism it should be possible to use the major anchor sites identified to stimulated regional development. Realizing this potential will clearly require a high level of inter municipal co-opreation given the extent of the pilgrimage tourism religions identified.in addition the importance of pilgrimage tourism supply factors identified in the research shows the need for extensive collaboration between the public sector,which is responsible for policy and promotion the church which manages most of the sites,and the tourism sector which provides the supporting facilities this underlines the impotance of net working in the future development of pilgrimage tourism in Velankanni, Nagore and Thirunallar.At present however there is a clear distinction between a more local pilgrimage tourism currently stimulated by pilgrimage motives and more globalized pilgrimage tourism.these two have very different motivations and different needs as well as different patterens of activity in the destination.in many respects the local pilgrimage tourism offers relatively little scope for further pilgrimage tourism development,particularly as the current generation of pilgrims ages and the enthusiasm for traditional religion wanes among young people.in developing new products and new markets there fore the pilgrimage tourism attractions of the region should think more seriously about the pilgrimage tourism elements of current demand and in particular the development of new products of emerging niches suchn as pilgrimage tourism.

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The Effect of Corporate Strategy and Capital Structure on Performance of Banking Sector of Pakistan

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Abstract - The finance literate has widely discussed two important relationships: (1) Corporate strategy and firm performance. The present study identifies the dimensions and variables using prior research within each of the constructs studied under the management and corporate finance domains, vis-a-vis corporate strategy, capital structure and firm performance. (2) Capital structure and firm performance However, most studies ignore the combined effect of corporate strategy and capital structure on firm performance. Our study tries to tackle this issue and uses sample from the listed companies in Pakistan which will prove the commonalties that exist between these domains of business research. This will help support the arguments of some researchers in the banking industry who have stressed the importance of assessing the firm's strategies using concepts in finance. The overall objective of this study is to test the viability of the "effect of corporate strategy and capital structure on firm's performance" using strategic management and corporate finance theory.

Keywords : Corporate strategy; Capital structure; Firm performance.

GJMBR-B Classification : FOR Code : 150203, 150202 JEL Code : G21,G31

THE EFFECT OF CORPORATE STRATEGY AND CAPITAL STRUCTURE ON PERFORMANCE OF BANKING SECTOR OF PAKISTAN

Strictly as per the compliance and regulations of:

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Muhammad Aftab [α], Rehan Ehsan [σ], Saad Naseer [ρ] & Tahir Awan [ω]

Abstract - The finance literate has widely discussed two important relationships:
(1) Corporate strategy and firm performance
(2) Capital structure and firm performance

However, most studies ignore the combined effect of corporate strategy and capital structure on firm performance. Our study tries to tackle this issue and uses sample from the listed companies in Pakistan which will prove the commonalties that exist between these domains of business research. This will help support the arguments of some researchers in the banking industry who have stressed the importance of assessing the firm's strategies using concepts in finance. The overall objective of this study is to test the viability of the "effect of corporate strategy and capital structure on firm's performance" using strategic management and corporate finance theory.

The present study identifies the dimensions and variables using prior research within each of the constructs studied under the management and corporate finance domains, *vis-a-vis* corporate strategy, capital structure and firm performance.

Keywords : Corporate strategy; Capital structure; Firm performance.

I. Introduction

Several management researchers of the likes of Dill (1958), Chandler (1962), Lawrence & Lorsch (1967), Jurkovich (1974), Miles & Snow (1978), Porter (1980, 1985), Bourgeois (1980, 1981), Hambrick (1981, 1983), Dess & Davis (1984), Dess and Beard (1984), Mintzberg (1988), Miller (1986), Hamel & Prahalad (1991), Kotha & Valdamani (1995), and others have directly or indirectly made attempts to theorize the effects of single or multiple constructs, *vis-a-vis* the firm environment, strategy, and structure on firm performance. These efforts have led to the incremental development of the strategic management literature that stress on the relationships between the constructs mentioned above.

Some of the research work done in the late eighties was aimed at testing the model of Porter (1980, 1985) and Miles and Snow (1978) in terms of the effects of competitive strategy on firm performance. Other efforts of the likes of Schmelzer (1992) delved into firm structure and tried to explain the components of organizational structure that have an effect on strategy and performance of firms. What emerged from these individual research efforts was the concept of the "Co-alignment Model". The theoretical underpinnings of the model explicate the co alignment between the environment domain, competitive methods, core competencies, and firm performance, considered to be the recipe for firms' success. The key for superior firm performance is firm strategy formulation and implementation decisions (Hill and Jones 1995). It then became the paradigm that explains the effect of environment, corporate strategy, and structure on firm performance (Olsen et al., 1998, Chathoth 2007). The combined effect of corporate strategy and capital structure explain well for the difference in firm performance. The capital structure will have an impact on the overall performance of firms as tested. Therefore, capital structure should be given added emphasis for firms trying to add value to their stockholders' and bondholders' (Gi – Shian Su 2010).

This is important to mention that, complete "Co-alignment Model," is only tested in hospitality industry while the impact of firm strategy and capital structure (only internal forces) on firm performance is tested for vietnam's listed companies of all kind and not any specific industry with considering only one control variable for industry. The results of this research contradicted from earlier researches' results due to firms' size & structure and customers' behavior. The performance of firms becomes the single most important construct that has been studied by management researchers, hospitality strategy researchers, as well as corporate finance researchers. Since performance objectives are what firms wish to accomplish, this construct will be scrutinized to reveal the key variables that represent it. The overall objective of a firm's existence is to continue to survive through the crests and troughs of the industry life cycle. And in order to do so, firms need to insure that the performance objectives are met consistently. Researchers have emphasized on various performance measures that range from stockholder satisfaction measures, *vis-a-vis* return on equity and earnings per share to operational performance measures, i.e

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return on sales and gross operating profit. These measures also vary from accounting measures to market-based measures. This study will identify various performance measures by examining the work of researchers who have advocated the use of key performance variables, both accounting and market measures, which represent the outcome variables of a firm.

We want to test this model for Pakistani listed companies only for Banking Sector. Data will be collected from secondary sources that will enable effective testing of hypotheses. Since the model pertains to testing the effects of single and multiple dependent constructs/variables, i.e. corporate strategy on capital structure and their impact on firm performance; the unit of analysis will be the firm's corporate level for variables that pertain to corporate strategy, capital structure, and firm performance. We will use two dimensions of corporate strategy most relevant to capital structure i.e. growth and liquidity. The dimensions of corporate strategy, i.e. growth will be operationalized using sales growth and growth potential; and liquidity will be operationalized using the firm's investment in cash and marketable securities as a percentage of total assets. The capital structure of the firm will be operationalized using the debt ratio while firm performance will be operationalized using the two dimensions, cash flow (Free Cash Flow per share) and accrual returns (return on equity).

The present study is an attempt to test the model using theories in corporate finance and strategic management, which will also clarify the commonalties that exist between these domains of business research. This will help support the arguments of some researchers who have stressed the importance of assessing the firm's strategies using concepts in finance. The present study will identify the dimensions and variables using prior research within each of the constructs studied under the management and corporate finance domains, *vis-a-vis* corporate strategy, capital structure, and firm performance. Subsequently, the relationship between these constructs and dimensions will be tested for the dependencies between them through *a priori* hypothesized relationships. The unit of analysis will be the corporate level, and hence, the study will include corporate level data of banking sector. The research design will include cross-sectional data of banks averaged across an *a priori* defined time period. This will help address the lead and lag effects of variables across the time period. The overall objective of this study is to test the viability of the model tested by recent researcher using strategic management and corporate finance theory to find any discrepancies exist in behaviors of variables like debt, liquidity and firm size for particular service i.e. banking sector of Pakistan.

II. Literature Review

The underlying theme common to all strategy definitions given by different scholars like Chandler (1962), Hofer & Shendel (1978), Thompson & Strickland (1981), Bourgeois (1978) and Mintzberg (1981) etc. is the ability of the organization to meet its objectives by directing its efforts in a resourceful manner, aligning them to the developments in the external environment. Having identified this theme in the definition of strategy, it becomes essential to identify whether each individual research domain within the field is a proponent of this ideology professed by eminent researchers. To do so, it is essential to pinpoint the orientations of the sub-domains in the field of strategy.

The strategic management model suggests that intended strategy is an outcome of certain distinct actions taken by firms. These actions can be categorized as the product of a firm's external analysis and internal analysis (Hill & Jones, 1995). The external analysis is about understanding the firm's external environment to identify opportunities and threats. This analysis includes analyzing the firm's remote environment domain, task environment domain, and industry environment domain in order to identify the forces driving change and their impact on the organization during a given time period (Olsen et al.1998). On the other hand, the internal analysis entails pinpointing what the strengths and weaknesses of the firm are in order to identify the quantity and quality of resources available to the organization (Hill & Jones, 1995). The concept that entails analyzing the firm's external and internal environment and subsequently identifying the appropriate strategy comes under the *strategy formulation* sub-domain of strategy research. On the other hand, the sub-domain that deals with designing organizational systems and structures in order to put the strategy into action is termed as strategy implementation. Strategy choice is a component of strategy formulation that entails identifying the strategic alternatives in tandem with the firm's strengths and weaknesses. Since strategy is about identifying the appropriate courses of action, these alternatives vary depending on the hierarchical levels of the organization confirmed by, for instance, Hofer & Shendel (1979), who point out that strategy content varies with the level of organizational hierarchy. The hierarchical levels identified by various management theorists in the strategy domain are functional level, business level, and corporate level strategies (Hill & Jones, 1995).

a) Corporate Level Strategy Construct

The corporate level strategy entails decisions made by corporate managers to insure that company stakeholders are satisfied at all times. With this as the goal, the managers at the corporate level of company hierarchy decide to invest in business(es) that result in long-term profit maximization and increased returns to the firm's stockholders. Corporate strategies entail two distinct dimensions that include measures pertaining to growth (Zook & Rogers, 2001) and liquidity (Kim et al., 1998). Corporate managers decide what businesses to invest in and how liquid the assets of the firm should be to maximize the value of the firm, both in the short and long term scenario. Corporate strategy entails top management's decision to invest in businesses, which they consider as the most value adding investments. It revolves around the basic premise of defining the firm's objective of which business(es) to be in (Olsen et al., 1998). Corporate strategy influences all levels of strategy formulation including business and functional level, in that the decisions made at this level becomes the blue print of strategy formulation at the business level, which in turn influences the functional level. This does not mean that functional level and business level strategies do not influence corporate strategies. Even though there may be influence from both these levels of strategy formation on corporate strategy, it is how the corporation's top management defines the strategy of the company as a whole that will influence the company's strategy at various levels of its hierarchy.

i. *Growth*

Growth is considered to be one of the key benchmarks of success by practitioners in most industry settings. The banking industry setting is no different, in that firms within the industry have used this strategy as one of the key elements of success. Several researchers have suggested that growth strategies need to be managed well so that the firm can plan its orientation towards its market as well as its stakeholders appropriately. For instance, "aggressive and rapid growth could increase risk by straining a firm's human resources and its ability to develop efficient controls and an effective internal structure. Growth ought to be carefully managed while developing an internal structure that is capable of coping with that growth while maintaining control of the firm's operations" (Borde, 1998). Hill and Jones (1995) suggest that firms that grow through diversification into more unrelated business, will do so by sacrificing profitability, as the competencies of the company to produce adequate returns on investments in business ventures that they have little expertise in can lead to a decline in profitability. Furthermore, growth brings in positive return only to a certain extent, beyond which the firm's managers will sacrifice the wealth of its stockholders to achieve higher growth. By testing the relationship between firm growth strategies and performance, it would be clear if there exists a significant relationship between the two constructs.

Three measures of firm growth will be used in this study. The first measure, i.e. sales growth will capture increased sales through Mark-up/Return/Interest Income, Fee, Comm., and Brokerage Income. It is essential for both researchers and practitioners to find out if sales growth adds value to the firm, which will be tested in this study. The second measure, i.e. asset growth will capture the growth in market value of assets, which will indicate if a firm that adds to its asset base will at the same time add more value to the firm. The third measure, i.e. growth potential will capture the future growth of the firm, which will be captured by using the ratio of market value of assets to book-value of assets. Note that this measure will tell us about the growth opportunity set of the firm as a result of its investment strategy. The relationship between these measures and measures of the capital structure and firm performance constructs will help conceptualize the dynamics of growth strategy more comprehensively.

ii. *Liquidity*

According to Kallberg & Parkinson (1992), corporate liquidity is a strategy that top management pays attention to in connection to the management of the firm's assets. Firms typically manage their liquidity through resource allocation decisions that are directed towards more liquid assets (Kim, Mauer, and Sherman; 1998). The objective is to increase the liquidity of the firm but while doing so, managers may have to consider the pros and cons associated with the trade-off between investments in liquid or illiquid assets. Some authors, for example Huberman (1984), Ang (1991), and Myers and Rajan (1995) have provided explanation to the theory that more liquid assets may lead to agency problems as compared to less liquid assets. The literature on the investment preference of firms in liquid assets purports that either firms should hold large amounts of liquid assets (e.g. Myers and Majluf, 1984) or no liquid assets (e.g. Jensen, 1986). According to John (1993), "liquid assets constitute a considerable portion of total assets and have important implications for the firm's risk and profitability". John (1993) points out that "the assets of a firm also have a natural categorization based on liquidity. Cash or cash like (marketable) securities are liquid assets. Long-term investments (such as plant and machinery) which may only produce liquid assets in the future may be called illiquid assets". Kim et al. (1998) proposed that the relationship between the liquid asset holdings and the firm's growth opportunities may be positive. This notion is supported by Lakonishok, Shleifer and Vishny (1992), who argued that firms with large intangible assets would have higher costs of financial distress and therefore would invest more in liquid assets to minimize this cost. This is further supported by Myers (1977), who also posited that maintaining excess liquidity may help in reduction of financial distress.

Kim et al. (1998) also proposed that investment in liquid assets is positively related to the return on liquid assets, while it will be negatively related to the current rate of return on investment in production. Also, the authors state that the future economic conditions affect investment in liquid assets. The better the future is in terms of investment opportunities, the more the investment will be in liquid assets. Also, Baskin (1987) pointed out that as the firm's debt ratio increases, the cost of funding the assets to maintain a higher level of liquidity increases, thereby reducing the level of funds that will be used to maintain higher levels of liquidity.

There are industry effects associated with liquidity. Different industries have different levels of liquidity to take care of operational requirements as well as managing the rate of return of the firm. Damodaran (1997) points out that the difference in how firms maintain different levels of liquidity position with respect to cash and marketable securities is reflected across industry groupings. This is reflected in the ratio of cash and marketable securities taken as a percentage of total assets, which Damodaran suggests is the case as the demand for cash and cash equivalents is different across industries. Because of the industry effects of liquidity strategy, the need to test the liquidity strategy of firms in the banking industry is warranted, as similar studies in banking research have not been conducted.

Lancaster, Stevens, & Jennings (1999) tested the industry effects of the "distinctive relationships between cash flow, accrual income and liquidity measures". The results supported the proposition that significant industry effects exist in many of the relationships. For instance, the authors found that industry differences exist in relationships between liquidity, accrual income, and cash flow. The authors point out that "these findings are consistent with other studies where industry effects are found in capital structure, risk, returns, and financial ratio patterns". However, they could not generalize the effects of cash flow from operations to have significant incremental explanatory power for change in static liquidity, which were found only in the case of manufacturing firms. This will be tested in the present study with respect to the sample of organizations, which will be service-industry based, i.e. banks within the banking industry.

b) The Capital Structure Construct

The capital structure of a firm involves two key components, i.e. debt and equity.

Ross et al. (1999) point out that the goal of management is to maximize the market value of debt and the market value of equity. By doing so, the firm is able to maximize its total value. The optimal capital structure of the firm is one that minimizes the cost of capital. In other words, an optimal balance between the proportion of debt and the proportion of equity would result in the overall minimization of the cost associated with these components. Furthermore, it is essential that these costs are weighted across the various sources of funds to insure that the overall cost is the minimum.

Based on the basic concepts of the capital structure, firms' managers make decisions on what type of funds and at what levels in terms of magnitude, will lead to the overall minimization of the costs associated with procuring these funds. Therefore, the demand and supply of funds affect the capital structure, but at the same time, the riskiness associated with the firm's cash flows affects the capital structure. In other words, the more the volatility of the cash flows of the firm, the more will be the impact of this risk on the firm's ability to raise debt and/or equity. Therefore, it can be stated that the capital structure decisions are based on the impact of the external environment on the firm and the strategies the firms use to insure that the value of the firm is maximized. This would vary from period to period, from firm to firm, and from industry to industry. The capital structure decisions, which are dependent on the financing decisions of the firm, can be met using the firm's own cash flow to meet the requirements of capital spending and net working capital.

Therefore, firms with more retained earnings will typically use this source of funds as compared to debt or outside equity, which might decrease the leverage of the firm during those years when profitability and thus retained earnings are high. The fact reported above, that firms use internal sources of funds more to invest in new projects is validated by Donaldson (1961) and Myers (1984), who found that the funds that managers typically use as the first source to fund projects are internally generated, especially for positive NPV projects. The use of externally generated funds is never the first consideration, and within externally generated types of funds, debt is preferred over common stock. This concept brought forth the notion of the *pecking order* theory in corporate finance. Although debt financing is preferred over equity financing, it must be noted that as a result of financial distress and bankruptcy costs, firms typically do not fund the investments with debt alone. Ross et al. (1999) point out that firms that pursue high growth strategies will have lower levels of debt as compared to firms that pursue low growth strategies.

The industry effects of capital structure are important to consider. Titman (1984) pointed out that firms of industries that find liquidation costly would relatively use less debt. Other studies reveal that the debt ratios of high growth industries indicate that they are low, whereas industries with low growth prospects use more debt financing (Ross et al. 1999). The authors further point out that there are four important factors in the final determination of a target debt-equity ratio: (a) taxes, (b) types of assets, (c) uncertainty of operating income, and (d) pecking order and financial slack. The two reasons that directly apply to this study are: (1) type of assets, and (2) uncertainty in operating income. The type of assets influences the debt-equity ratio because of the financial distress concerns that managers have. Firms with large investments in tangible assets have lower costs of financial distress than firms with intangible assets. This is so because of the resale value of the tangible assets that can be more easily assessed as compared to intangible assets. Firms with uncertainty in cash flows are more prone to financial distress, even with low levels of debt or no debt. Therefore, these firms typically rely on equity financing than debt financing to fund their investments in assets. Lowe, Naughton and Taylor (1994) point out that capital structure decisions are behavioral in nature more than financial. Ross et al. (1999) also support this reasoning while stating that there are no straightforward formulae that help figure out the optimal capital structure of a firm in the real world.

c) The Firm Performance Construct

A firm's performance can be measured in terms of its profitability and market performance. Typically, profitability is measured in terms of return on the capital invested in the business or return on the revenues generated during a given period. On the other hand, market performance is measured in terms of market indicators such as share price and dividend yield ratio. The objective of this study will be to operationalize those measures of performance that have been tested in past studies to have a significant relationship with the corporate strategy, and capital structure of the firm. Beard and Dess (1981) used return on investment as the measure of firm performance, which was used to test the relationship between corporate level strategies and firm performance using regression analysis. Results revealed that corporate level strategies influenced firm performance. Hall and Weiss (1967) used "Return on Assets" as the performance measure to test the relationship between firm size and profitability. Correlation analysis was used as the statistical method and results indicate that a negative correlation exists between firm size and profitability.

This study will incorporate both market performance measures as well as firm profitability measures to test the relationship between the corporate strategy, capital structure, and their impact on performance. The profitability of a firm can be measured to include the effects on two stakeholders, i.e. bondholders and stockholders. Since these two groups of investors have different perspectives on a firm's performance, it is essential to pinpoint which group will be benefited because of corporate strategy and capital structure decisions. Therefore, the performance construct will be operationalized to include measures that are a barometer of stakeholder satisfaction, tegorized as two distinct types, i.e. accounting measures and cash flow measures. Indicators such as return on equity and return on assets are accounting measures which reflect stockholder satisfaction, and indicators such as free cash flow per share are finance-related ratios that may indicate bondholders' willingness to invest in the firm.

d) Relationship Between The Constructs

Growth strategies can be achieved through related or unrelated diversification

strategies (Rumelt, 1974), which may in turn result in better firm performance, an outcome with mixed yet inconclusive results as far as past research in this area is concerned (Hoskisson & Hitt, 1990). Moreover, according to Kim et al. (1998), industry effects may lead to different performance outcomes, *vis-a-vis* the relationship between growth and firm performance. Note that Hall & Weiss (1983) tested profitability to have a positive relationship with asset growth. The concept of growth in this case is based on firms' capabilities to increase their asset base in order to meet the market growth opportunities.

The relationship between liquidity and performance has been tested, which reveals a positive relationship between liquidity and cash flow measures, i.e. free cash flow (Kim et al., 1998). Ross et al. (1999) suggest that firms with higher growth potential will have lower debt as compared to firms that have a lower potential to grow. The strategy domain has witnessed research work pertaining to the relationship between firms' strategy and structure, pioneering as early as 1962 by Chandler, who suggested that structure follows strategy. Other studies that delved into corporate strategies include Ansoff (1965). The relationship between growth strategy and performance has not been tested in the banking industry. The relationship between growth strategies and liquidity tested by Kim et al. (1998) indicate that the direction of the relationship was positive. Higher growth strategy of firms will be based on a higher level of liquidity that such firms will have. The relationship between the growth strategy and the capital structure constructs was suggested by Barton & Gordon (1987). The authors propose that a firm's sales growth rate will have a positive relationship to debt levels. This further indicates that if the environmental conditions are favorable for the firm's growth, debt will be used lesser to fund that growth than equity. On the other hand, Ross et al.(1999) suggest that firms with high growth potential or from industries that grow at a faster rate have lower levels of debt as compared to firms from low growth industries.

The need to test proxies for growth in relation to firm performance is called for in the case of banks, as the industry has seen the use of this strategy as a primary vehicle of value addition. This notion is not yet proven to be the case, which needs to be tested for stakeholders of the industry to be certain about the outcome between growth and firm performance, and the level to which this strategy needs to be used. This will in turn help in the formulation and implementation of effective corporate and business level strategies.

The relationship between liquidity and capital structure of the firm was tested by

Kim et al. (1998) who found that as the firm invests more in liquid assets, it will result in lower reliance on debt, and hence, will result in a lower debt ratio. This was confirmed by Baskin (1987), who reported that the relationship between debt and liquidity is negative. On the other hand, the relationship between debt structure and performance was reported by Capon et al. (1990), who suggested that out of the 149 relationships reported using debt as the independent variable and firm performance as the dependent variable, 90 reported a negative relationship between firm debt level and performance. Shah (1994) demonstrated that changes in capital structure affects stock prices, which in some ways was confirmed by Harris and Raviv (1990), who suggested that there is a positive correlation between leverage and firm value. Note that liquidity strategy can be used by firms to increase their value, which needs to be tested in the context of the banking industry.

i. *Summary*

The literature in strategic management and corporate finance pertaining to the definition and theoretical underpinnings of the constructs defined within the model i.e. "Effects of corporate strategy and capital structure on firm performance" from recent study. The constructs and their dimensions were identified and the variables that represent each dimension were explored in terms of the research that exists in the domains. The interaction between the constructs and variables in terms of the work done by researchers were explored to highlight the key relationships that will be used in the development of hypotheses, which will be explored in the following work.

III. Research Methodology

a) *Introduction*

The focus of this chapter is to operationalize the constructs identified and described in the previous chapter. The following pages of this chapter include a description of the measures that represent the constructs; and subsequently hypotheses that capture the relationship between the constructs and variables will be developed. The hypotheses development will be aimed at capturing the relationship between the constructs. It is important to restate the research questions before the constructs are operationalized and hypotheses are developed. They include:

1. Do these corporate strategies significantly impact the capital structure of the firm, in that is the choice of capital structure of the firm dependent on corporate strategies? More specifically, do the dimensions of corporate strategy, i.e. growth and liquidity explain a significant amount of variance in the choice of capital structure? If so, whatare these impacts in terms of the source of funds and their representation in the capital structure of the firm?
2. Is firm performance better explained by the alignment between the strategy and capital structure constructs?
3. Are growth strategies value adding strategies which result in improved firm performance?

b) *Operationalizing the Constructs and Dimensions The Corporate Strategy Construct:*

i. *Growth Strategy*

The first dimension of the corporate strategy construct is sales growth. Sales growth will be operationalized using the company's annualized sales growth for the period 2008 through 2011, which will then be averaged over the time period. The averaging of the firm's sales growth will help address the crests and troughs of growth the company may have had over the time period.

The second dimension of corporate strategy, i.e. asset growth will be operationalized by averaging the firm's market value of assets reported on a annual basis for the time period 2008 through 2011. Again, by averaging the market value of assets, the crests and troughs of firm's asset growth will be addressed.

The third dimension of corporate strategy, i.e. the firm's future growth potential will be operationalized using the firm's market value of assets divided by its book-value of assets (Kim et al., 1998). This ratio signifies how well the firm manages its investment (Ross et al., 1999). This ratio is interpreted as: a ratio of above 1 implies good investment strategy on part of the firm's management, and a ratio of below 1 signifying poor investment strategy. Smith & Watts (1992) and Stohs & Mauer (1996) use this ratio as a proxy for growth options. The reasoning provided by the authors is based on the fact that the value of intangible assets is not reflected in the book-value of assets; therefore the ratio of market to book-value of assets would capture the growth options. A higher value of market-to-book-value of assets for the firm is an indicator of more growth options in the firm's investment opportunity set.

ii. *Liquidity Strategy*

Liquidity will be operationalized using liquidity ratio (Kim et al., 1998; John, 1993), which is the ratio of cash plus marketable securities to the book-value of assets. This ratio signifies the proportion of the firm's total assets that are highly liquid, which in turn reflects how well it manages its liquidity position on a period-to-period basis.

c) The Capital Structure Construct

The capital structure construct will be operationalized using the debt ratio (Kim et. al, 1998), which is the firm's total debt divided by its total assets. Total debt of the firm will be calculated by including both long-term debt as well as current portion of long-term debt, reported in the current liability section of the balance sheet.

d) Firm Performance Construct

The performance construct will be operationalized using traditional measures of firm performance. These measures can be categorized into accounting measures and finance measures of performance. As detailed in Chapter 2, the accounting measures of firm performance include return on assets and return on equity. On the other hand, finance measures of firm performance include variables that capture the cash flows such as free cash flow per share and operating cash flow per share. This study will use both accounting measures as well as finance measures to test the effects of the constructs on firm performance. The measures that will be used will include return on equity that will represent the accounting measure of performance and free cash flow per share, which will represent the finance or cash flow measure of firm performance. The annualized data for these measures will be averaged over the time period 2008 through 2011. This will help in capturing the lead and lag effects between the performance construct and other constructs used in this study.

e) Measuring control variable

Firm size is the control variable that is highly correlated with the dependent and the independent variables. The inclusion of the control variable will help reduce spurious relationships. This control variable will be adopted in the testing of the 6 models in this study. Firm size is measured by logarithm of market value of firm asset.

f) Developing Hypotheses

Our model theorizes the relationship between the constructs vis-à-vis the strategy, structure, and firm performance. The previous sections have explained the relationships between constructs, and this section will develop and propose hypotheses using the variables stated in the previous section. This section is divided into subsections that develop hypotheses depicting the relationship between the independent variable and dependent variable. These sub-sections include:

(a) Corporate Strategy and Capital Structure;
(b) Corporate Strategy and Firm Performance;
(c) Capital Structure and Firm Performance;
(d) Corporate Strategy; Capital Structure, and Firm Performance.

g) Interaction between dimensions of corporate strategy

The corporate strategies as pointed out earlier include growth and liquidity strategies. The relationship between sales growth and liquidity is hypothesized to be positive. The higher the sales growth is, the higher the liquidity position would be. This is true if the percentage increased in sales growth is the same as that of liquidity measured in terms of cash and credit revenue. Given this assumption and the assumption that the cost structure of the firm will increase at decreasing rates when sales increases due to economies of scale (Hill & Jones,1995), the relationship between the firm's sales growth and liquidity position will be positive. This leads to hypothesis 1(a):

H1(a): There will be a significant positive relationship between sales growth and liquidity position.

The following equation is used to test H1(a).

Ld = a + b1(SaGr) + b2(FiSi) + e (1)

Ld: Liquidity

SaGr: Sales growth

FiSi: Firm size

The relationship between firm size and liquidity is hypothesized to be positive as bigger banks have to maintain more liquidity to operate well. The relationship between firm size and growth is also hypothesized to be positive. The logic used in this case is that bigger firms will focus more on growth strategies, which will also lead to higher potential for growth. Therefore, bigger firms will have higher sales growth, and growth potential as compared to smaller firms.

The relationship between the firm's growth potential and liquidity position will be positive (Kim et al., 1998). This is because a firm with a higher growth potential would need to be more liquid in order to fund its operations and asset growth to meet the growth potential. Moreover, it is assumed that the firm's liquidity position will influence its market value, which in turn will increase its growth potential. This leads to hypothesis 1(b):

H1(b): There will be a significant positive relationship between the growth potential of the firm and its liquidity position.

Equation (2) is to test H1(b):

Ld = a + b1(GrPo) + b2(FiSi) + e (2)

Ld: Liquidity

GrPo: Growth Potential

FiSi: Firm size

In the case of debt ratio, it is posited that the relationship between firm size and debt will be positive. Since firms will use more debt to fund their growth, the ratio of debt to assets will increase as they grow. Therefore, bigger firms will have higher debt ratio as compared to smaller firms.

h) Corporate Strategy and Firm Performance (Return on Equity)

Firms that pursue a high sales growth strategy will have a positive impact on performance (Capon et al., 1990). Performance is measured by return on equity. Firms using assets efficiently results in both sales growth and increasing return on equity. The underlying assumption is that the firm's cost structure changes at the same rate of sales growth or at a decreased rate because of economies of scale (Hill & Jones, 1995). This leads to hypotheses 2:

H2: There will be a significant positive relationship between sales growth and return on equity.
The relationship between firm liquidity and return on equity is hypothesized to be positive.

Firms that are more liquid have more cash reserves and consequently incurs higher opportunity cost (Ross et al., 1999). But banks don't have to bear much opportunity cost due to immediately lending these reserves. This leads to hypothesis 3:

H3: There will be a significant Positive relationship between liquidity and return on equity.
We use equation (3) test H2 and H3
ROE = a + b1(SaGr) + b2(Ld) – b3(FiSi) + e (3)
ROE: Return on equity
SaGr: Sales growth
Ld: Liquidity
FiSi: Firm size

The relationship between firm size and return on equity is posited to be negative. Bigger firms may be more oriented towards meeting the goals of debt holders than meeting the stockholder needs. Moreover, since bigger firms will typically be oriented towards growth, such firms will grow at the cost of increased costs associated with growth, resulting in lower return on equity. Also, it is evident from financial theory that explains why firms use debt to grow as compared to equity, which also helps explain the negative relationship between firm size and return on equity. This was confirmed through the study by Hall and Weiss (1967), which revealed that a negative relationship exists between firm size and profitability.

i) Corporate Strategy and Firm Performance (Free cash flow per share)

Firms with a greater potential to grow will have a negative relationship with free cash flow. This is supported by the argument that a firm with higher growth potential will have higher capital expenditures to fund the future growth (Barton & Gordon, 1988), which will lead to lower free cash flow per share. This leads to hypothesis 4:

H4: There will be a significant negative relationship between growth potential of the firm and free cash flow per share. Our model assumes liquidity has a positive impact on free cash flow per share. This is because the firm that pursues to increase its liquidity would typically increase its operating cash flows under the assumption that there is no significant change in the capital expenditure of the firm. This leads to hypothesis 5:

H5: There will be a significant positive relationship between the liquidity strategy of the firm and free cash flow per share.
Equation (4) will be used to test H4 and H5.
FCF = a – b1(GrPo) + b2(Ld) + b3(FiSi) + e (4)
FCF: Free cash flow per share
GrPo: Growth potential
Ld: Liquidity
FiSi: Firm size

The relationship between firm size and free cash flow is posited to be positive since bigger firms may be able to manage their cash flow from operations as well as capital investments in a better way as compared to smaller firms. Bigger firms may achieve economies of scale in their capital investments, which may lead to lower costs associated with such investments.

j) Capital Structure and Firm Performance

Higher level of debt will have a positive impact on return on equity for banks which are primarily run on debts and earn from advancing further these debts and earn income, unlike other firms where increased debt level increases the debt services through increased interest expense, which lowers the net income available to share holders (Damodaran, 1997; Ross et al., 1999). This leads to hypothesis 6:

H6: There will be a positive relationship between debt level and return on equity.
Equation (5) is used to test H6.
ROE = a + b1(DeRa) – b2(FiSi) + e (5)
ROE: Return on equity
DeRa: Debt ratio
FiSi: Firm size

k) Corporate strategy, Capital structure and firm performance

In our final model, we explore how corporate strategy and Capital structure affect *return on equity*. This leads to hypothesis 7:

H7: Independent variables of the model (Corporate strategy and Capital structure) will explain a significant amount of variance in return on equity. The corresponding equation (6) is:

ROE = a + b1(GrPo) + b2(Ld) + b3(DeRa) – b4(FiSi) +e (6)
ROE: Return on equity
GrPo: Growth potential
Ld: Liquidity
DeRa: Debt ratio
FiSi: Firm size

The tested result of this model will explain the combine affects of corporate strategy and capital structure on firm performance i.e performance of banking industry of Pakistan, which has ever found in previous researches.

IV. Data and Statistical Results

The criteria for sample selection includes: (a) the audited financial statement should have been published in 2008; (b) each firm should be traded on one of the two exchanges, i.e. Karachi Stock Exchange, or Lahore Stock Exchange. The sample included banks with all size banks. Size is defined as the market value of banks' assets. Based on our screening criteria, 23 banks were included in the final sample. Multiple linear regression analysis was used to analyze the data.

Testing began with the correlation matrix reported in table 1. Figures show that there is no high correlation between the independent variables. Table 2 indicates that multicollinearity is not a problem because the tolerance and Variance inflation factor for almost all variables of the tested models were close to 1.

Table 1 : Correlation Matrix

		1	2	3	4	5	6	7
1	SaGr (Sales growth)	1.00						
2	GrPo (Growth potential)	-.036	1.00					
3	Ld (Liquidity)	-.38	.424**	1.00				
4	DeRa (Debt ratio)	.61	.356	.79	1.00			
5	FiSi (Firm size)	.453**	-.284	.371**	.643**	1.00		
6	ROE (Return on equity)	.534**	.312**	.437*	.73**	-.412**	1.00	
7	FCF (Free cash flow per share)	.75	-.523**	.28**	.572**	.693**	-.538**	1.00

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

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

Note: The first column (No.) lists the numbers allotted to the measures in the second column, which correspond to the numbers in row 1 (third column through ninth column).

Results of estimated equation 2 (see table 3) shows that the overall model is significant with p = 0.0001. Furthermore, the r2 of the model indicates that 65 percent of the variance in liquidity is explained by the growth potential and firm size of the firm. The standardized coefficient of 0.42 is significant at p = 0.00013. This supports the hypothesis that there will be a positive relationship between growth potential and liquidity. The control variable is also significant with p=0.0012. Therefore, the hypothesis 1(b) is accepted.

Table 2 : Results of assumptionstests

Equation	Independent measures	Tolerance	VIF
2 Ld = a + b1(GrPo) + b2(FiSi) +e	GrPo FiSi	.754 .643	1.33 1.56
3 ROE = a + b1(SaGr) + b2(Ld) – b3*FiSi + e	SaGr Ld FiSi	.874 .885 .679	1.14 1.13 1.47
4 FCF = a – b1(GrPo) + b2(Ld) + b3(FiSi) + e	GrPo Ld FiSi	.737 .863 .634	1.36 1.16 1.58
5 ROE = a + b1(DeRa) – b2(FiSi) + e	DeRa FiSi	.956 .652	1.05 1.53
6 ROE = a + b1(GrPo) + b2(Ld) + b3(DeRa) –b4(FiSi) + e	GrPo Ld DeRa FiSi	.794 .837 .936 .728	1.26 1.19 1.07 1.37

** We do not report the results of analysis equation 1 because there is no correlate between Sales growth and Growth potential. (see table 1)*

Table 3 : Results of regression analysis

Equation	Model F Statistic	Model P-Value	Model R2	Adjusted R2	Independent Measures	Co-efficient P-Value	Standardized beta weight
2 Ld = a + b1(GrPo) + b2(FiSi) +e	834.75****	0.0001	.65	.60	GrPo FiSi	0.00013 0.0012	.42**** .58**
3 ROE = a + b1(SaGr) + b2(Ld) – b3*FiSi + e	325.94****	0.00011	.43	.42	SaGr Ld FiSi	0.00013 0.012 0.00014	.47**** .64* -.42****
4 FCF = a – b1(GrPo) + b2(Ld) + b3(FiSi) + e	78.8****	0.00013	.79	.77	GrPo Ld FiSi	0.0001 0.0015 0.00011	-.55**** .71** .43****
5 ROE = a + b1(DeRa) – b2(FiSi) + e	42.74****	0.0001	.58	.51	DeRa FiSi	0.015 0.001	.67* -.48**
6 ROE = a + b1(GrPo) + b2(Ld) + b3(DeRa) –b4(FiSi) + e	217.783****	0.00014	.67	.53	GrPo Ld DeRa FiSi	0.00012 0.022 0.017 0.002	.42**** .73* .62* -.48**

***** indicates is significant at the 0.0001 level (2-tailed).*
*** indicates is significant at the 0.01 level (2-tailed).*
** indicates is significant at the 0.05 level (2-tailed).*

Reported about the estimated equation 3, the results indicate that the overall model is significant at p = 0.00011. The r2 for the model indicates that 43 percent of the variance in the return on equity of the firm is explained by corporate strategies. The coefficient for sales growth is 0.49, significant at p = 0.00013. However, liquidity with a coefficient of 0.64 is highly significant at p = 0.012. The direction of relation between return on equity and sales growth is positive indicating that the higher the level of sales growth, the higher will be the firm's return on equity. Control variable is significant at p = 0.00014. The relationship between return on equity and firm size is negative indicating that the higher the level of firm size, the lower will be the firm's return on equity. Therefore, the hypothesis H2 and H3 both are accepted means there is significant relationship between return on equity and both corporate strategies.

Equation 4 identifies the relationship between Free cash flow per share and corporate strategy, i.e. growth potential and liquidity. Results indicate that the overall model is significant at p = 0.00013. The r2 for the model indicates that 79 percent of the variance in the free cash flow per share of the firm is explained by corporate strategies. The coefficient for growth potential is -0.55, significant at p = 0.0001. Liquidity with a coefficient of 0.71 is significant at p = 0.0015. The direction of relation between free cash flow per share and growth potential is negative indicating that the higher the level of growth potential, the lower will be the firm's free cash flow per share. However, the direction of relation between free cash flow per share and liquidity is positive. Again the control variable is significant at p = 0.00011. The relationship between free cash flow per share and firm size is positive indicating that the higher the level of firm size, the higher will be the firm's free cash flow per share. Therefore, the hypotheses H4 and H5 are accepted.

In equation 5, results indicate that the overall model is significant at p = 0.0001. The r2 for the model indicates that 58 percent of the variance in the Return on equity of the firm is explained by capital structure strategy. The coefficient for debt ratio is 0.67, significant at p = 0.015. The direction of relation between Return on equity and debt ratio is positive indicating that the higher the level of debt ratio, the higher will be the firm's Return on equity as same debt becomes the ultimate source of income for shareholders. Size as a control variable, with a coefficient of -0.48 is significant at p = 0.001. The relationship between Return on equity and firm size is also negative indicating that the higher the level of firm size, the lower will be the firm's Return on equity. Therefore, the hypothesis H6 is accepted.

The empirical results of equation 6 show that the overall model is significant at p = 0.00014.

The r2 for the model indicates that 67 percent of the variance in the Return on equity of the firm is explained by corporate strategies and capital structure. The coefficient for growth potential is 0.42, significant at p = 0.00012. The direction of relation between Return on equity and growth potential is positive indicating that the higher the level of growth potential, the higher will be the banks' Return on equity. The coefficient for liquidity is 0.73, highly significant at p = 0.022. The coefficient for debt ratio is 0.62, significant at p = 0.017. The direction of relation between Return on equity and debt ratio is positive indicating that the higher the level of debt ratio, the higher will be the firm's Return on equity. Size as a control variable, with a coefficient of -0.48 is significant at p = 0.002. The relationship between Return on equity and firm size is negative indicating that the higher the level of firm size, the lower will be the firm's Return on equity. Therefore, the hypothesis for H7 is accepted. Beside that, the results also reveal that this is the best model which explains 67%(corporate strategy, capital structure, firm size), as compare to other incremental models that explain 58% (capital structure, firm size) and 43% (corporate strategy, firm size) of the variance in firm performance (ROE).

V. Discussion and Implication

The most important finding of this study is that the combined effect of corporate strategy and capital structure explain well for the difference in banking industry performance. Further more, the liquidity strategy is highly found to be significantly correlated to firm performance unlike other firms as indicated by Gi–Shian Su(2010), because the whole banking industry is based on earning through borrowing and lending concept, so they should put their efforts in boosting liquidity along with focusing on management if they pursue firm performance.

Our study concludes the capital structure will have an impact on the overall performance of banks as tested. Therefore, capital structure should be given added emphasis for firms trying to add value to their stockholders' and bondholders'.

Moreover, the relationship between growth potential and liquidity is positive for all size of banks. This result contradicts with the findings of Kim et al. (1998), Chathoth(2002), and Gi–Shian Su(2010). The reason for this contradiction is that every size of bank must have to maintain liquidity all time whether growing at bigger scale or smaller scale and making capital expenditures. The relationship between debt and return on equity is posited to be positive for banking industry unlike other firms because debt is the basic source of income for the banks and equity holders which is to be further lent or invested in other projects to boost net income. Due to the same reason the relationship between debt and growth potential for banking industry is found positive unlike other firms.

The relationship between liquidity and return on equity was tested to be highly significant. This finding confirms the finding of Kim et al (1998) who found that there is a positive relationship between these ratios, but contradicts the finding of Gi–Shian Su(2010) who found insignificant relationship between liquidity and return on equity. Besides that, our finding is also different from Baskin (1987) who pointed out that there is a negative relationship. The rationale for our conclusion of the highly significance is debt being the basic source which becomes or boosts the liquidity of banks and ultimately become the source of increasing the return of the equity holders being invested in different projects.

Another finding of this study is there is not much relationship between liquidity and sales growth. Hence, if firms adopt the sales growth strategy, they usually end up with customers delaying their payments, but banking industry even after delay of payments by creditors; don't face much liquidity problem due to frequent deposits by customers and regular checks by state bank of pakistan. Most strong reason of this concluded by discussion with practitioners is the Pakistani bank customers' behavior toward plastic money as they don't like much using it. Perhaps this is the primary reason of Pakistani banks being not much affected by 2008 US baking system's failure, while following US banking model.

This liquidity and sales growth relationship might be proved significant for other countries' banking system where customers' trend is more toward utilizing plastic money, which is needed to be tested.

Our study only focus on internal forces that affect firm performance; macroeconomic environment and law were ignored. Besides, our model included only one control variable i.e. firm size.

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"Market Segmentation and Its Impact on Customer Satisfaction with Especial Reference to Commercial Bank of Ceylon PLC"

By Puwanenthiren Premkanth
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Abstract - In this competitive commercial world, an organization has to satisfy the needs and wants of the customers, and has to attract new customers, and hence enhance their business. Customer value is considered as a control element for all business strategies. Therefore, every organization has to emphasize on customer satisfaction. As far as the banks are concerned this phenomenon is very prominent .To carry out this research, defined the Hypotheses as "The Market Segmentation highly positive impact on customer Satisfaction". The Customer satisfaction with Market Segment has higher positive correlation 0.726. This means that high level of four market segment leads to highly increase in the customer satisfaction. This Co-efficient of determination 0.526 that the customer satisfaction in accounted for by market segment. In this connection hypothesis is accepted.That is market segments and marketing mix has strong impact on customer satisfaction.

Keywords : *Market Segmentation, Customer Satisfaction, Commercial bank.*

GJMBR-A Classification : *FOR Code: 150501, 150203 JEL Code: D12, D91, D21*

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I. Introduction

Having multi perspective on a concept is a power full source to capitalize the knowledge on a particular concept. According to that the concept of market segmentation will be illustrated in the following manner.

"Market segmentation is no accident, but a result of careful planning and execution."

Through above phrase we can smell an initial idea about what is meant by the term Market segmentation. There are so much of strategies and techniques are available for an entrepreneur to segment the market. But this research concentrates on how to tune the market segmentation in ensuring achieving the efficient customer satisfaction.

So that research topic falls into marketing field. In growing competitive world marketing plays a vital role in every business firm. Any firms in any industry realized that marketing management is an essential part in their business success. A well prepared counter argument is also believed by lot expert against to previous one. Marketing is not a magic tool which means a firm which produces worst goods can't become as a market leader by using effective market segmetation. The firstrequirement for market segmentation is particular product or service should read the consumers' pulse then meeting or exceeding the consumer expectation, then only marketing may play any role in market segmentation.

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II. Literature Review

The paper of W. Boyd et al. (1994) the results of the study reveal that reputation, interest charged on loans, and interest on savings accounts are viewed as having more importance than other criteria such as friendliness of employees, modern facilities, and drive-in-service.

A study by Clarkson et al. (1990), suggests that the characteristics and financial service requirements of consumers vary with age, and that these differences could be used in developing marketing strategies for such services.

Marla Royne Stafford (1996) stated that demographics continue to be one of the most popular and well-accepted bases for segmenting markets and customers. Even if others types of segmentation variables are used a marketer must know and understand demographics to assess the size, reach and efficiency of the market. The general conclusion of this study is that there is a significant relationship between demographics characteristics the service quality perception. However, for income the test statistic was not significant.

The psychographic segmentation, in the literature, has been extensively researched. For example Beckett et al. (2000) presents and develops a model through which attends to articulate and classify consumer behaviour in the purchasing a range of financial products and services. Using and placing the two principal factors that motivate and determine individual contracting choices, namely involvement and uncertainty, on to a simple continuum running from high to low it is possible to construct a two-dimensional matrix of consumer behavior.

Harrison (1994) concludes that the traditional segmentation variables of age, stage in the family life cycle and social class have provided little insight into the financial services customer behavior. In order to take full advantage of the factors which could affect take-up and usage of financial services, Harrison develops a multi-dimensional model. The analysis has suggested four customer segments for financial services on the basis of customers' own perceived knowledge, confidence and interest in financial maturity, defined by the type and complexity of financial services currently in use. Each of the four segments is distinct in terms of the financial objectives exhibited, motivations for financial services usages and attitudes and behaviour towards financial services.

Machauer and Morgner (2001) prefer segmentation by expected benefits and attitudes could enhance a bank's ability to address the conflict between individual service and cost-saving standardization. Using cluster analysis, segments were formed based on combinations of customer ratings for different attitudinal dimensions and benefits of bank services. The clusters generated in this way were superior in their homogeneity and profile to customer segments gained by referring to demographic differences.

Booms and Bitner (1981) suggested 7Ps mix which extended the traditional 4Ps which including 3Ps: Participants, Physical Evidence and process. The 7Ps of marketing mix have been conducted by some researchers in marketing fields (e.g., Low and Tan, 1995; Pheng and Ming, 1997; Melewar and saunder, 2000). Nagar and Rajan (2005) studied the impact of satisfaction and other operational factors utilizing cross-sectional data on US retail banks. Despite its importance to the banking industry, limited researches that consider customer requirements and service elements together have been conducted even though considerable researches have been done on service sector (Bolton and Drew, 1991; Parasuraman et al., 1988). Garwin (1988) did a research that considers customer requirements and service product quality separately. A number of models and views have been developed to identify the determinants of retail customer satisfaction in banking industry.

Kearsley (1985) in his article discussed the types and uses of computerbased training (CBT) in bank training to achieve better customer satisfaction. Rust and Zahorik (1993) provided a mathematical framework for assessing the value of customer satisfaction. The framework enables managers to determine which customer satisfaction elements have the greatest impact, and how much money should be spent to improve particular customer satisfaction elements. They demonstrated the application of theirapproach in a pilot study of a retail banking market. Athanassopoulos (2000) performed a complete survey on customer satisfaction in retail banking services in Greece. The study proposed an instrument of customer satisfaction that contains service quality and other attributes. The performance implications of the customer satisfaction instrument are also explored.

Manrai L. A. and Manrai A. K. (2007) developed and tested some hypotheses regarding the between customer satisfaction and bank service switching behavior as it is mediated by the importance of a particular bank service to a particular customer and by the nature of competitive offerings for different types of banking services available from other banks. Gil et al. (2007), in their research exhibited that services encountered directly and significantly affect perceived service value which is the final antecedent to customer satisfaction in banking industry.

In the call center industry the empirical research for SERVQUAL model appears to be scarce. Warrenet.al. (2002) conducted a research to assess a case call center using SERVQUAL model. They found that as a customer never comes into contact with the physical appearance of a call center, the area covered by the tangibles criteria does not apply. Via the telephone, the only dimension of "tangible" contact is customer service representative's (CSR) voice, which is extremely important in any encounter with a customer through telephone. It is not possible for the customer to evaluate the service level but the customer has to interact with other criteria. Responsiveness, reliability, assurance and empathy are all transmitted by CSR's voice and are dependent on CSR's communication skills

In another research, Upal M. (2008)30 applied SERVQUAL approach in evaluating customer satisfaction in telecommunication industry in Bangladesh. The traditional SERVQUAL five dimension model was adjusted into four dimension model. These dimensions are responsiveness, assurance, communication and discipline. The research showed that call center agents are vital to the success of any call center. Satisfied employees reinforce customer satisfaction, which in turn reinforced employee satisfaction. In addition to that, customers' education in the service delivery process contributes to their satisfaction. Managerial orientation also is one of the major forces that drive customer satisfaction.

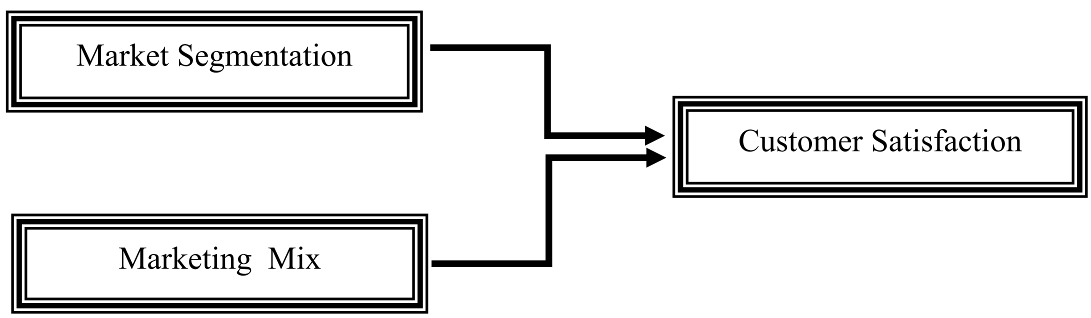
Beckett et al. (2000) draw tentative conclusions as to why consumers appear to remain loyal to the same financial provider, even though in many instances they hold less favourable views toward these service providers. For example, many consumers appear to perceive little differentiation between financial providers, making any change essentially worthless. Secondly, consumers appear to be motivated by convenience or inertia. Finally, consumers associate changing banks with high switching costs in terms of the potential sacrifice and effort involved.

Market segmentation and customer satisfaction have been largely affected by banks' massive involvement in technological banking activities (Keeton, 2001). De Young (1999) found that some consumers willing to pay high service charge since they are receiving e-banking services at the next foot step, however, some people still want to see banks are reducing fees/ charges where they believe in personalized attention instead of large technological investment, which may increase cost

Studies on satisfaction of the customers in financial service sectors have been well known among the academicians since the mid of 80s'. Parasuraman et al. (1988) opened a new window of research in service quality by establishing SERVQUAL model. Their model has been replicated in many countries with multi-dimensional sectors, and found close to a big success. Since, customer satisfaction has close relationship with customer retention especially in markets that are highly competitive and saturated like financial services (Lopez et al. 2007); it is necessary to continuously monitor changes in satisfaction among different segments of customers. In this regard, studies on customer segmentation and bank selection criteria along with customer satisfaction started warily came in the study done by Snow et al. (1996). This study concluded that there were clear differences in the service's expectations for retail banks in Canada among different ethnic groups. Research continues with Furrer et al. (2000), which reported relationship between segmented customers based on cultural background and their satisfaction. They also developed a Cultural Service Quality Index (CSQI) and established multicultural market segmentation

III. Conceptual Frame Work

Visualizing the research problem by addressing the independent and dependent variable involved in the research problem is known as conceptual model of research problem.



IV. Objectives

This research is conducted with the intention of following objectives.

- To evaluate how far bank follow the concept of market segmentation
- To analysis the market segmentation in Commercial Bank of Ceylon Plc
- To analyze what are they relationship between market segmentation & market mix and customer satisfaction in Commercial Bank of Ceylon Plc

V. Hypotheses

All activities of Commercial Bank of Ceylon Plc are Mainly providing services to its customers and by this it try to earn profit. This research work based on the servuices provided by the Commercial Bank Ceylon Plc. So, Hypothesis of any research spells that

H1 : The Market Segmentation highly positive impact on customer Satisfaction

VI. Methodology

To produce the above mentioned research objective, the data for this study was gathered from the Size of the sample is a one of the important determinants in measuring validity of the research findings or output of the research. Researcher targeted the suitable population and reasonabl sample size in order to ensure superb research findings. In this study one type population are targeted by the researcher to conduct the research. for this the Commercial Bank of Ceylon Plc's has been selected. Out of main branch customers 100 customers are elected as representative of that population by using random sampling technique.

For the research purpose, questionnaire has been used. The questionnaire was divided into two sections, first and second. In the first section, personal details of the selected customers. Employees were required to put the answer in to the section questionnaire.

VII. Results and Discussions

a) Customers Ideas about Commercial Bank of Celon Pl's Market Segmentation.

According to the below tabulation 3% of Customers agree that the Commercial Bank's Segmentation is poor (Low). Majority of Customers (82%) say that the Segmentation is effective in the Banking industry. But 15% of Customers argue that the Bank's segmentation is in the Good category.

Table 1 : Presentation of data on Segmentation.

Level		No of Customers	In Percentage
Market segmentation	Low	3	3%
	Good	15	15%
	Effective	82	82%

Source: Survey data

b) Customers Pulse about Commercial Bank of Ceylon Plc

According to the below tabulation 2% of Customers satisfy that the Commercial Bank's Services are poor (Low).Major Customers (74%) say that the Services are effective in the Banking industry. But 15% of Customers argue that the Bank's services are in the Moderate Level.

Table 2 : Presentation of data on Satisfaction.

Level		No of Customers	In Percentage
Customer satisfaction	low	2	2%
	Moderate	24	24%
	High	74	74%

Source: Survey data

c) Market Segmentation Vs Customer Satisfaction

According to the below tabulation 2 Customers agree that the Poor Segmentation leads to poor Customer satisfaction and 1 customer argue that the Poor Segmentation result to moderate level Customer satisfaction. Leven Customers say Good Segmentation leads to Moderate Customer's Pulse and 4 customers highly satisfied with good segmentation. But 70 customers highly satisfied with effective Market Segmentation and only 12 customers moderately satisfied with effective Market segmentation.

Table 3 : Presentation of data on Segmentation with customer satisfaction.

		Customer Satisfaction		
		low	Moderate	High
Market Segmentation	Low	2	1	
	Good		11	4
	Effective		12	70

d) Under this below part Analysis- Correlation, Regression, Correlation Co efficiencies, ANOVA test and presentation of Scatter PLOT.

i. *Market Segmentation Vs Customer Satisfaction.*

Summary Information of Segmentation and Customer Satisfaction.

Indicators	Value
Correlation	0.726
Regression	0.776
T-Value	10.437
R-Square	0.526
F-Value	108.936

Source : Survey data

The Correlation between Market Segmentation and Customer satisfaction is 0 .726, which shows the strong positive relationship between two variables in the Commercial Bank Sri Lanka PLC. The Regression equation shows the positive relationship between Market segmentation and customer satisfaction. That is when the Market segmentation is made on the basic of Customer point of view. Customer satisfaction will increase by 0.776.

According to the F value it is greater than Table value. So it is express that there is a relationship between two variables. According to the T-test, the calculated value is 10.437 which is greater than critical value 1.6662. Show it proved the positive relationship between the two variables and it was significant at 5% of significance level. According to the Model summary R square is 0.526 that mean 52.06% of Customer satisfaction is accounted by effective tuning of Market segmentation in the Commercial Bank Sri Lanka PLC.

ii. *Price Vs Customer Satisfaction*

Summary Information of Price and Customer Satisfaction.

Indicators	Value
Correlation	0.520
Regression	0.508
T-Value	6.031
R-Square	0.271
F-Value	36.369

Source: Survey data

The Correlation between Price and Customer satisfaction is 0 .520, which shows the positive relationship between two variables in the Commercial Bank Sri Lanka PLC The Regression equation shows the positive relationship between Price and customer satisfaction. That is when the Price is made on the basic of Customer point of view. Customer satisfaction will increase by 0.508. According to the F value it is greater than Table value 1.6662. So it is express that there is a relationship between two variables. According to the T test the calculated value is 6.031 which are greater than critical value. Show it proved the positive relationship between the two variables and it was significant at 5% of significance level. According to the Model summary R square is 0.271 that mean 27.01% of Customer satisfaction is accounted by effective tuning of Price in the Commercial Bank Sri Lanka PLC.

iii. *Product Vs Customer Satisfaction*

Summary Information of Product and Customer Satisfaction.

Indicators	Value
Correlation	0.590
Regression	0.522
T-Value	7.243
R-Square	0.349
F-Value	52.457

Source : Survey data

The Correlation between Product and Customer satisfaction is 0 .590, which shows the positive relationship between two variables in the Commercial Bank Sri Lanka PLC. The Regression equation shows the positive relationship between Price and customer satisfaction. That is when the Product is made on the basic of Customer point of view. Customer satisfaction will increase by 0.522. According to the F value it is greater than Table value 1.6662. So it is express that there is a relationship between two variables. According to the T test the calculated value is 7.243 which are greater than critical value. Show it proved the positive relationship between the two variables and it was significant at 5% of significance level. According to the Model summary R square is 0.349 that mean 34.09% of Customer satisfaction is accounted by effective tuning of Market segmentation in the Commercial Bank Sri Lanka PLC

iv. *Place Vs Customer Satisfaction*

Summary Information of Place and Customer Satisfaction.

Indicators	Value
Correlation	0.681
Regression	0.565
T-Value	9.215
R-Square	0.464
F-Value	84.909

Source: Survey data

The Correlation between Place and Customer satisfaction is 0 .681, which shows the positive relationship between two variables in the Commercial Bank Sri Lanka PLC. The Regression equation shows the positive relationship between Price and customer satisfaction. That is when the Place is made on the basic of Customer point of view. Customer satisfaction will increase by 0.565. According to the F value it is greater than Table value 1.6662. So it is express that there is a relationship between two variables. According to the T test the calculated value is 9.215 which are greater than critical value. Show it proved the positive relationship between the two variables and it was

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significant at 5% of significance level. According to the Model summary R square is 0.464 that mean 46.04% of Customer satisfaction is accounted by effective tuning of Place in the Commercial Bank Sri Lanka PLC

v. *Promotion Vs Customer Satisfaction*

Summary Information of Promotion and Customer Satisfaction.

Indicators	Value
Correlation	0.545
Regression	0.431
T-Value	6.443
R-Square	0.298
F-Value	41.507

Source: Survey data

The Correlation between Promotion and Customer satisfaction is 0.545, which shows the positive relationship between two variables in the Commercial Bank Sri Lanka PLC. The Regression equation shows the positive relationship between Promotion and customer satisfaction. That is when the Price is made on the basic of Customer point of view. Customer satisfaction will increase by 0.431. According to the F value it is greater than Table value 1.6662. So it is express that there is a relationship between two variables. According to the T test the calculated value is 6.443 which are greater than critical value. Show it proved the positive relationship between the two variables and it was significant at 5% of significance level. According to the Model summary R square is 0.298 that mean 29.08% of Customer satisfaction is accounted by effective tuning of Promotion in the Commercial Bank Sri Lanka PLC.

VIII. Concluding Remarks

a) *Argument on proving hypothesis*

Under this argument proposed hypothesis is proved by the researcher by using primary data the researcher gathered during the Methodology process. Four Market Segmentation mix which are utilized by Commercial Bank Sri Lanka PLC to attack the Customers in an efficient way with the intention of capturing market leader position in the near future or in the long run are presented to prove the hypothesis of this study. Those Marketing mix are illustrated in a manner as mentioned in the research problem. First of all researcher considers the marketing mix to support his argument on proving hypothesis.

The first Marketing Mix option is "price": chairman of Nike says "business is a war without loosing blood", in that war price is the one of the popular weapons in marketing because it is the only one marketing mix is easier to alter than others at the same time it is a good weapon to attract the customers easily in favor of particular product or service. So that Commercial bank Sri Lanka PLC has a special interest on price to compete with rival parties. Slightly discounting the price/Maximize highest Interest in compared with leader for a same product or service is a good tricky to convince the leader's customers in favor of challengers' output. It is the conventional strategy in marketing. Through this strategic movement challenger can give a considerable pressure on leader and increasing the market share by convincing the leaders' customers. At the same time counter argument is also prevailing among marketing specialists that is through this strategic movement challenger can not convince the brand loyalty customers

Researcher chooses the product related mix as second option under the marketing mix to prove proposed hypothesis in an efficient way. So much of consideration is consumed in designing product strategies against market leader in compared with designing pricing strategies. The reason behind that is so obvious. Under the product mix researcher highlights different Deposits which are utilized by Commercial Bank PLC in their previous stage in the past quite well. New highly interest Deposit is one strategy. This strategy spells that classify a particular category of Deposit in to different classes based on Interest and Matured period.

This Place Mix is well suited for Commercial Bank Sri Lanka PLC in the industry marketing high quality services .Now the object of, much attention, as branches are redesigned to be more attractive and less intimidating to customers. To overcome the above problems created through place and to increase the customer satisfaction, through this strategic movement Commercial Bank Sri Lanka PLC can increase his or her market share towards Place position.

Researcher chooses the Promotion related mix as final option under the marketing mix to prove proposed hypothesis in an efficient way. Commercial Sri Lanka PLC use Promotion as a weapon to succeed in the Market.

Hypothesis can be tested based on the data analyzed in forth chapter. This research has been carried out on the following hypothesis.

H1: The Market Segmentation highly positive impact on customer Satisfaction.

To find out whether there is a relationship between marketing mix and customer satisfaction or not, F-test was used. At the 5% of significance level the relationship between the variables are accepted.

The hypothesis can be tested with the aid of correlation.

Correlation of Customer Satisfaction with Market Segment & Market Mix.

Findings Market Segmentation and Customer Satisfaction Commercial Bank Sri Lanka PLC		
Factors	Correlation	Co efficient of Determination
Market Segmentation	0.726	0.526
Market Mix Price	0.52	0.271
Product	0.59	0.349
Place	0.681	0.464
Promotion	0.545	0.298

The Customer satisfaction with Market Segment has higher positive correlation 0.726. This means that high level of four market segment leads to highly increase in the customer satisfaction. This Co-efficient of determination 0.526 that the customer satisfaction in accounted for by market segment. In this connection hypothesis is accepted.

b) Researcher's Ideas on Market Segmentation and Customer Satisfaction

Commercial Bank Sri Lanka PLC which are running in their Banking Industry can be named as Top Firm in Bank. The term "Top Firm" can be interpreted in meaning full terms in the following manner, A firm which has highest market share in a particular industry can be addressed as Top Firm of that particular industry. Under this portion ideas of Customer Satisfaction on shaping Market Segmentation in any industry in interest of market position by tuning different class of marketing Mix are clearly presented. Here elected Bank suggested proper Market Segmentation strategic and Marketing mix which are utilized by them in their Jaffna Market to attack the Customers in an efficient way with the intention of capturing market leader position in the near future and or long run. Those model is presented in a manner as mentioned in the research problem. Out of the Mix, one is Price is a prime variable, rest of the mix are place promotion, product.

c) Recommendations to Develop Customer's Satisfaction

After testing of hypothesis it is necessary to provide recommendation to improve satisfaction and managing market segment and marketing mix following are some recommendation to improve the customer satisfaction.

i. *Price Wise*

Price in banking refers, to interest rates offered to depositors and borrowers and the bank charges and commission for individual services.

In the Jaffna region Commercial bank customers are in the satisfactory state. Customers of the opinion that, interest rate for deposits should be increased and the interest rates for loans should be reduced .They realize that service charges are reason able.

Commercial Bake must consider the following aspects in order to maximize satisfaction regarding price.

- Provide competitive interest rates to the deposits.
- Interest rates for deposits must be revised periodically.
- Revise and reduce the interest rates charged to scheme loans – given for agricultural purposes and small industries.

ii. *Product Wise*

Products are developed with the aid of marketing research, test marketing and then launched. Their success is then monitored and they may be withdrawn or modified or relented, if they are not sufficiently successful. A product must be both profitable and compatible with bank's image and long-term strategy.

Views on loan facilities

Following steps could be taken in order to increase customer satisfaction in the distribution of loan in the Jaffna region,

- To encourage private traders, bank could provide extended overdraft facilities in periods and amounts.
- New loans schemes could be formulated and the existing loan schemes may be made more public by advertisement.
- Develop credit card system in Jaffna region.

Views on depositing facilities

The following methods could be adopted to increase the customer satisfaction in connection with depositing facilities in the Jaffna region,

- Should appoint an officer to fill up the forms such as mandate, deposits, and withdrawal slips.
- Involve in product innovation.
- Introduce MICR system in Jaffna, that is using this method for cheque clearing purpose.

iii. *Place wise*

Place is primary the branch network .Now the object of, much attention, as branches are redesigned to be more attractive and less intimidating to customers. To overcome the above problems created through place and to increase the customer satisfaction, it is necessary to improve the automated banking services in Jaffna region.

- Instead of the customers going in search of the officer's in-charge, the bank could appoint a group of bank employees to deal with customers requirements.
- Reduce the office space and increase the customer service counters.
- The parking space for cars and other vehicles of the customers to the different branches of the banks should be provided.

iv. *Promotion wise*

Here sales promotion which is an important aspect in promotion is focused. The internal and external appearances of the banks will attract more customers to the bank in Jaffna.

In order to maximize the satisfaction, the following actions could be taken by the bank.

- Bring awareness of the importance of savings in the school level and in the back ward villages, and the schemes of savings by seminars and conferences.
- Useful materials could be telecast or broadcast over the television and respectively.
- Extra incentives may be provided to the customers for taking up the product.

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Systematic Risk Management and Profitability: A Case Study of Selected Financial Institutions in Sri Lanka

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Abstract - The main objective of the study is to identify the impact of Systematic risk management on Profitability, during 2007 to 2011 (05 years). In the present study, Systematic Risk Management [i.e., Degree of Financial leverage (DFL) and Degree of Operating leverage (DOL) as independent variable and Profitability (i.e., Net Profit, Return on Capital Employed (ROCE) and Return on Equity (ROE)] as the dependent variable are considered. In order to select the sample, convenience sampling techniques method is used. The study suitably used both secondary data. Operational hypotheses are formulated, results revealed that systematic risk management has a positive association($r = 0.755$, $p<0.05$) with Profitability. Further, Systematic risk management is enhanced by DFL and DOL in the selected financial institutions where the beneficial impacts are observed on profitability. Therefore, they have to pay more attention for tuning systematic risk management techniques. This study would hopefully benefit the academicians, researchers, policy-makers and practitioners of Sri Lanka and other similar countries through exploring the impact of systematic risk management on profitability, and pursuing policy to improve the current status of it.

Keywords : Systematic Risk Management, Profitability, Financial Intuitions.

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Strictly as per the compliance and regulations of:

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Nimalathasan, B [α] & Pratheepkanth, P [σ]

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I. Background And Objectives

Research findings presented in the finance and accounting literatures have indicated a trend towards more keen approach in risk management by firms over time. Especially financial institutions are business. Managing the systematic risk at the optimum level is very essential to keep the performance at satisfactory level [1]. There are lots of different types like Business risk, Credit risk which are associated in a business Marcus (2005). In present study the following types are getting priority as per the research problem. In one sense risk can be categorized in to systematic and unsystematic risk. Unsystematic risk is a type of risk that depends on internal business factors and can be minimized through mechanism or designing an effective portfolio. It can be hedged but cannot be diversified completely away. In fact, systematic can be thought of as diversifiable risk [2]. Financial institutions assume this type of risk whenever assets owned or claims issued can change in value as a result of broader economic conditions. As such, systematic risk comes in many different forms such as, as interest rates change, different asset have somewhat different and unpredictable value responses. Energy prices affect transportation firms' stock prices and real estate values differently. Large scale weather effects can strongly influence both real and financial asset values for better and worse. The Main objective of the study is to find out the impact of systematic risk management on Profitability in finance intuitions in Sri Lanka. To achieve main objective, the following sub objectives are considered.

- To address the association between systematic risk management and Profitability
- To give some meaningful suggestions in order to enhance risk management practices in the financial institutions in Sri Lanka.

Literature Review and Hypotheses development

Plentiful works of early canvassers in risk management were found in the USA, UK and India [3]. The trend towards the adoption of more stylish systematic risk management created an interesting area for researchers to investigate: whether such systematic risk management performs leads to better profitability. Study [4] found that the mere adoption of systematic risk management techniques increase the performance. However, two studies proved otherwise [5,6]. Given the mix results over the years, this study seeks to provide further evidence on the degree of systematic risk management and profitability in Sri Lanka. Based on Literatures following hypotheses is formulated for the validity of the Literature.

H1: Systematic risk management is positively associated with Profitability

H2: Systematic risk management has an impact on Profitability

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II. Research Design And Methods

a) Sampling Techniques

The study use data of listed companies in the Colombo Stock Exchange (CSE), Sri Lanka. In order to select the sample, convenience sampling techniques method is used. The sample size is 10 Institutions illustrated given in the table 1 below

Table 1 : Sampling Techniques

S.No	Name of the Company
01	Sampath Bank
02	Commercial Bank of Ceylon Plc
03	National Development Bank
04	Hatton National Bank
05	Seylan Bank
06	Nation Trust Bank
07	DFCC
08	People Leasing Plc
09	LB Finance
10	Central Finance Plc

b) Mode of Analysis

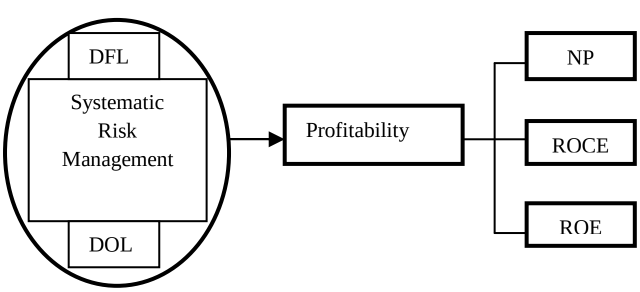
In the present study, we analyze our data by employing correlation and regression analysis. The following table-2 shows the variables and their measures.

Table 2 : Variables and Their Measures

Variables	Measures
DFL	$\frac{\%\ \text{Changes in EPS}}{\%\ \text{Change in EBIT}}$
DOL	$\frac{\%\ \text{Changes in EBIT}}{\%\ \text{Changes in Sales}}$
Net Profit	$\frac{\text{Net profit}}{\text{Sales}} \times 100$
ROCE	$\frac{\text{EBIT}}{\text{Capital Employed}} \times 100$
ROE	$\frac{\text{PAT}}{\text{Equity}} \times 100$

c) Research Model

Fig. 1: Research Model



From the research model, the following equations are formulated.

$$Y = \beta + \beta_1(X_1) + \beta_2(X_2)$$

$$NP = \beta_0 + \beta_1(DOL) + \beta_2(DFL) \text{……………………..Model – I}$$

$$ROCE = \beta_0 + \beta_1(DOL) + \beta_2(DFL) \text{…………….. Model – II}$$

$$ROE = \beta_0 + \beta_1(DOL) + \beta_2(DFL) \text{………………..Model – III}$$

III. Findings And Conclusions

According to the empirical results of this study, the researchers can drive the conclusions regarding the impact of systematic risk management on profitability. Correlation analysis revealed that there is a positive association between Net Profit and DOL and DOF (0.312 & 0.354). ROCE also has direct association with DOL and DFL at 0.519 and 0.612 and respectively. Similar, there is a moderate positive association between ROE and DOL and DFL (0.419 & 0.567). It reflects the high financial cost management leads to better Profitability.

Financial institutions in Sri Lanka mostly depend on the debt capital. Therefore, they have to pay interest expenses much. The well-developed bond market is viewed as the primary reasons for the observed relationship. The firms don't have efficient investment. Therefore, their investment not enough to increase the profitability and financial benefits. Due to this reason net profit has weak relationship with DOL and DFL.

Regression analysis revealed that R2 value is 0.57 which indicated that systematic risk management impact on 57 percentages.

a) Hypotheses Testing

Here the hypotheses of the present study are tested with the help of the proposed models.

H_1: Systematic risk management is positively associated with Profitability.

It is focused on the point of view of correlation between the systematic risk management and profitability ($r = 0.755$, $p<0.05$). Therefore H1 is accepted.

H_2: Systematic risk management has an impact on Profitability.

It can been seen that from the regression analysis which revealed that R2 is 0.57 it means that systematic risk management has an impact on profitability at the rate of 57 percentage which is significant at 5 percent level. Therefore H2 is accepted.

b) Suggestions and Recommendations

The following suggestions are recommended to increase the institutional Profitability based on systematic risk management.

- Profitability standards should be established and communicated to the investors. This will help investors to achieve the standard and take better investment decisions.

- Identifying weaknesses of risk management may be best one to improve the firm's Profitability, because it indicates the area which decision should be taken.
- Motivating the risk mangers to help to achieve the high level of firm's financial performance.
- Equity capital should be increased. Because it help to increase the Profitability measures. Due to this, financial performance is stimulated.
- Political changes are very important factor in the share market. It is also determine the Profitability.
- Therefore, political should possible to increase the Profitability of the listed Institution.
- Inflation and exchange rate also affect the listed company's Profitability. So, government should consider the economic growth to control the inflation.
- Owners haven't enough capital to achieve firm's Profitability. Therefore banks and government should promote facilities to increase performance.

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Impact of Financial Rewards on Employee's Motivation and Satisfaction in Pharmaceutical Industry, Pakistan

By Asghar Ali & Muhammad Naseem Akram
University of Lahore, Pakistan

Abstract - Employees are considered as the human capital of any organization. If employees are motivated and satisfied they will perform their duties diligently and actively. In this research article, data of 186 employees working in Pharmaceutical industry is analyzed. The results indicated gender-wise and age-wise comparison of motivation & satisfaction of employees with respect to salary and position. Hypotheses developed to find relationship between financial rewards, motivation and satisfaction of employees. A positive relationship found between financial rewards, motivation and satisfaction. Overall results indicate employees working in Pharmaceutical industry are being offered good financial rewards. They are motivation in performing their duties and satisfied with their salary and job position.

Keywords : Financial Rewards, Motivation, Satisfaction.

GJMBR-A Classification : FOR Code : 150311, 150312 JEL Code : J81 J24, J28

IMPACT OF FINANCIAL REWARDS ON EMPLOYEES MOTIVATION AND SATISFACTION IN PHARMACEUTICAL INDUSTRY, PAKISTAN

Strictly as per the compliance and regulations of:

Impact of Financial Rewards on Employee's Motivation and Satisfaction in Pharmaceutical Industry, Pakistan

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I. Introduction

In this era of globalization, every organization in the world improving its business processes by adopting advance technologies and innovations. To keep the pace of achieving goals organizations tries their best to hire competent human resource. Employing competent human resource, organizations have to offer better working environment, market based salaries, job security, empowerment etc. Out of all these perks and benefits the financial variables are much important especially pay. Every employee has to run his livelihood. He needs financial rewards / perks to support him and family.

Top management of each organization has to develop relationship between the employees and organization to fulfill the right demands of both parties. Organization's expectation from employees are to follow the rules, policies and regulations of the organization and employee's expectations are better working environment, good financial rewards especially fair pay. If an organization offers more financial rewards, the employees of that organization will be more motivated and satisfied.

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II. Literature Review

Reena Ali and M. Shakil Ahmed (2009) proved that there is a statistically significant relationship between reward and recognition respectively, and motivation and satisfaction. Their study revealed that if rewards or recognition offered to employees were to be altered, then there would be a corresponding change in work motivation and satisfaction. Hafiza N. S., Shah S. S., Jamsheed H., Zaman K (2011) revealed that there is a significant and positive relationship between extrinsic rewards and employee motivation but it has been observed that organizations are not offering right amount of financial rewards (extrinsic rewards) to their employees. Pay is a significant factor which affects employee motivation. Kalim Ullah Khan, Syed Umar Farooq, Muahmmad Imran Ullah (2010) highlighted the various aspects necessary for motivating employees to improve their performance. It is observed that there is direct and positive relationship between rewards and employee work motivation. It means that reward is directly proportion to employee work motivation. The change in rewards offered to employees necessarily changes the work motivation and performance of employees. Better the rewards, the higher the levels of motivation and greater levels of employee performance. Arik Prasetya and Masanori Kato (2011) also analyzed that there are significant influences from both financial and nonfinancial compensations to the employee performance.

Compensation is one of the physical needs that influence motivation which in turn will affect the employee performance. Providing appropriate compensation within the meaning of fair and adequate to meet the requirements is one of the personnel department functions that are difficult to implement. Compensation includes the financial returns to the services rendered by employees as part of employment relationships. Compensation is a form of rewards that flow to employees arising from their employment (Dessler, 1995). Compensation has a big influence in the recruitment of employees, motivation, productivity and employee turnover (Bernardin & Russell, 1993).

III. Research Objectives

Research objectives of this study are:

- To explore the relationship between financial rewards and motivation level of employees with respect to their salary and position.
- To explore the relationship between financial rewards and satisfaction level of employees with respect to their salary and position.
- To explore motivation or satisfaction which comes first on job?
- To explore how can employees be motivated and satisfied?

a) Hypotheses Development

Employees receiving more financial rewards are considered to be more motivated in performing the day to day tasks. They will do their work from core of their heart. It is hypothesized is that there is a positive relationship of financial rewards with motivation and satisfaction and a negative relationship of financial rewards with working environment. Financial rewards considered here are salary, bonuses.

H1 = There is a positive relationship between financial rewards and employees motivation and satisfaction.

H2 = There is a positive relationship between employees motivation and satisfaction.

b) Data Methodology

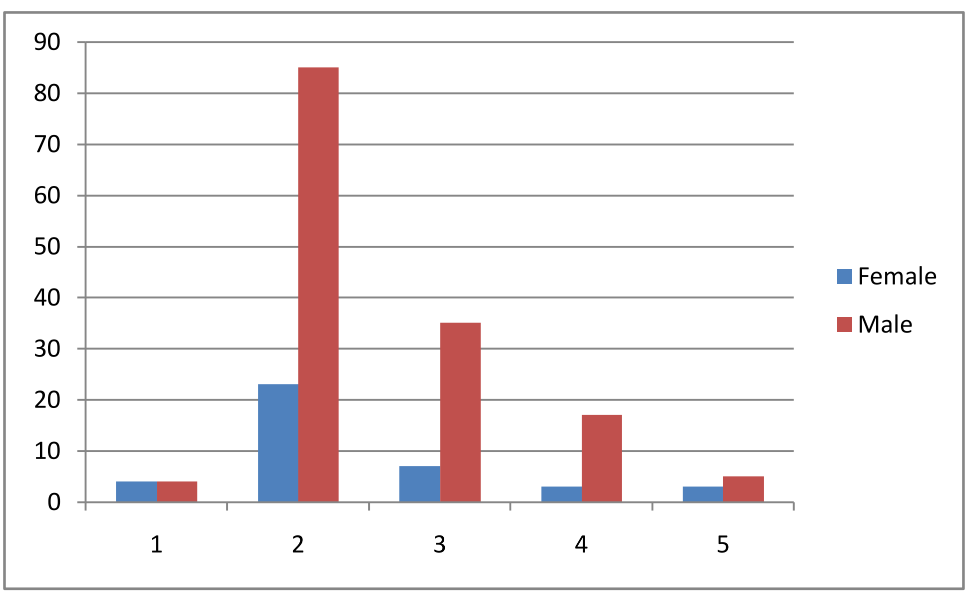
The data was collected by distributing questionnaires among the 200 employees of different pharmaceutical organizations. 186 filled questionnaires were received back from the employees of pharmaceutical organizations. So the response rate is 93%.

c) Analysis

It is observed that 62% of employees of all age group are satisfied with their present salary and position. 65% of employees between age group of 19-39 showed that a sufficient increase in salary will enhance their motivation level. 67% of employees of all age group said that other companies are paying better salary to its employees working on the same positions.

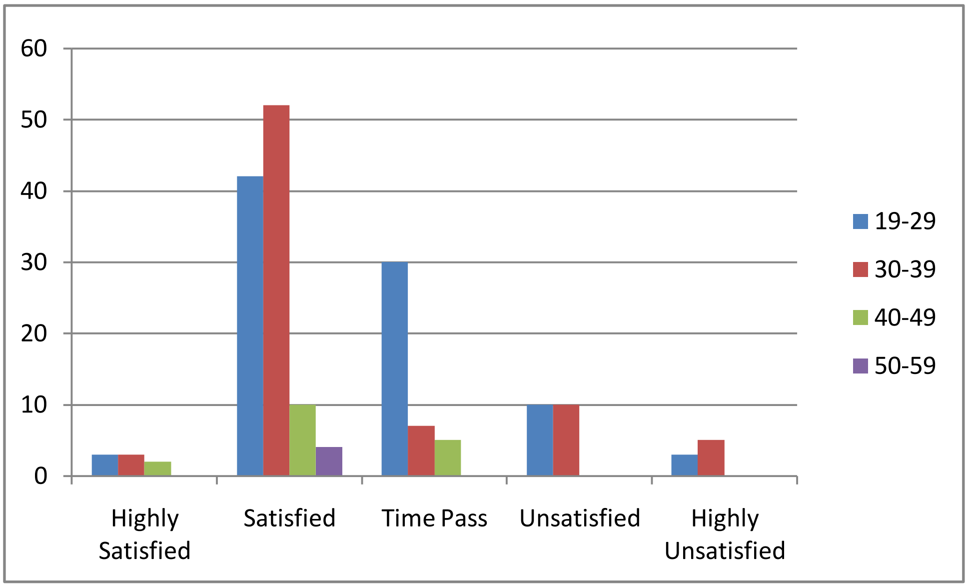
Graph 1 shows gender wise satisfaction level of employees. 21% of employees are female and 79% of employees are Male. Level of satisfaction with salary is high as per male/female gender ratio.

Graph 1 : Gender wise satisfaction level with salary



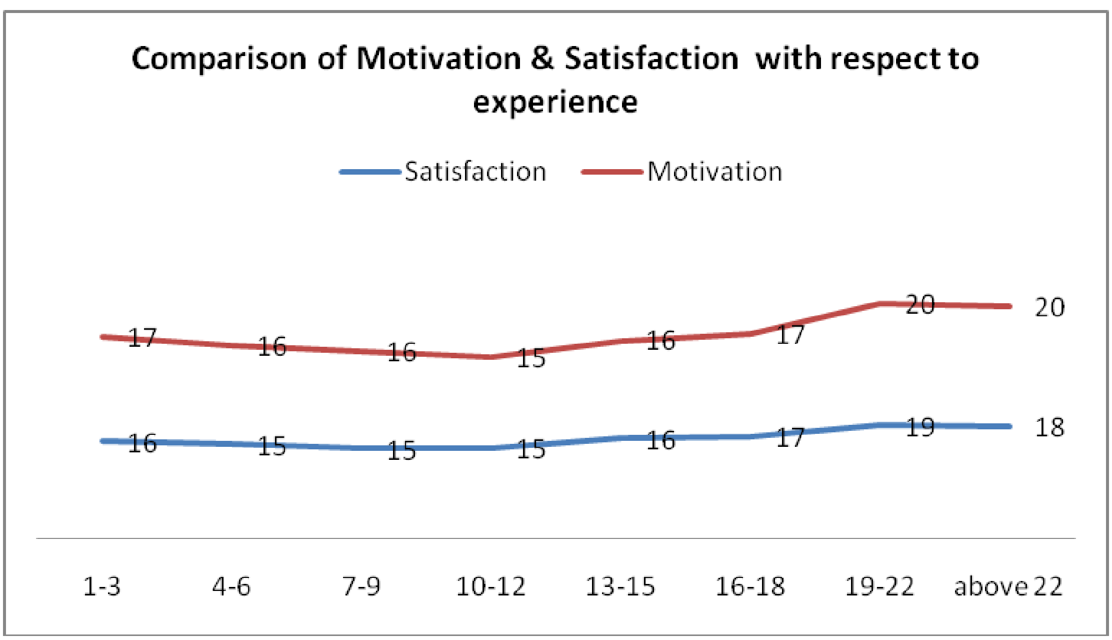
Graph 2 shows gender wise satisfaction level of employees. 21% of employees are female and 79% of employees are Male. Level of satisfaction with salary is high in both genders. Most of the employees falling within the age bracket of 19-39 are satisfied with their present salary. Analysis of collected data proved that the companies are paying good salary to its employees. However 23% of employees falling within the age bracket of 19-29 showed that they are doing their job only for time pass and are not being compensation as per their qualification and experience.

Graph 2 : Age wise satisfaction level with salary



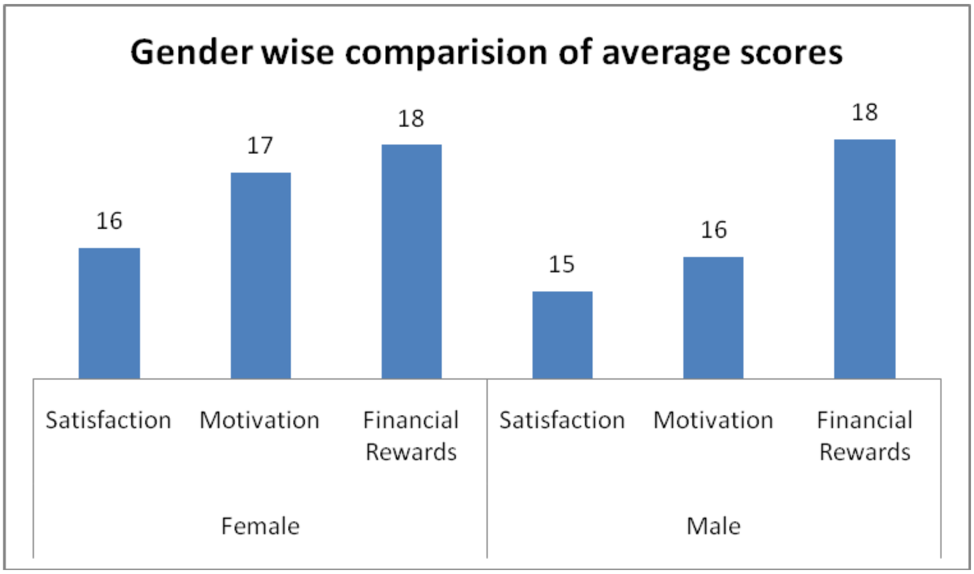
It is also observed from the study that satisfaction is dependent on motivation. Fresh hired employees are more motivated than the existing employees. They perform better than the existing employees because their level of goal achievement is high in the beginning of their career. After observation of Working Environment, Financial Rewards and Human Resource policies of the organization, the satisfaction level of employees are adjusted accordingly. For this purpose motivation and satisfaction variables are compared with respect to experience of the employees. Results are shown in Graph 3.

Graph 3 : Comparison of motivation and satisfaction with respect to experience



Graph 4 shows gender wise comparison between financial rewards, satisfaction and motivation. There is no difference between the opinion of male and female about financial rewards. Mean of both genders is equal as they rated importance of financial rewards. There is a slight difference of motivation and satisfaction between the genders. Females are more motivated and satisfied as compared to males.

Graph 4 : Gender wise comparison average scores



Regression analysis conducted using SPSS for observance of impact of independent variables on dependent variables. Following three models have been developed.

Model 1

$$MOTI = \alpha + \beta\, FR + \epsilon$$

FR = Financial Rewards,
MOTI = Motivation,
SATI = Satisfaction

Model is estimated using Ordinary Least Square (OLS) technique assuming linearity and got the following results.

MOTI = 6.596 + 0.542FR ; R^2 = 0.197		
Std. Error	1.466	0.081
t-stat	4.499	6.712
P-Value	0.000	0.000

Results mentioned in model 1 above showing positive impact of financial rewards on employee's motivation.

Model 2

$$SATI = \alpha + \beta\, FR + \epsilon$$

Model is estimated using Ordinary Least Square (OLS) technique assuming linearity and got the following results.

SATI = 11.688 + 0.218FR ; R^2 = 0.03		
Std.Error	1.616	0.089
t-stat	7.230	2.448
P-Value	0.000	0.015

Results mentioned in model 2 above showing positive impact of financial rewards on employee's satisfaction.

Model 3

$$MOTI = \alpha + \beta\, SATI + \epsilon$$

Comparison of Motivation with Satisfaction is made in Model 3 and estimated using Ordinary Least Square (OLS) technique assuming linearity and got the following results.

MOTI = 8.703 + 0.423SATI ; R^2 = 0.18		
Std. Error	1.120	0.067
t-stat	7.771	6.291
P-Value	0.000	0.000

Results mentioned in model 3 above showing a slight positive impact of Motivation on employee's satisfaction.

IV. Conclusion

This study proved that financial rewards offered to employees in pharmaceutical industry are good. Employees of this industry are motivated and satisfied with their salary and position. The result showed a positive impact of financial rewards on employee's motivation and satisfaction. Financial rewards leads to employee's motivation. It is also observed that the new entrants in this industry are highly motivated and the working conditions, environment and superior's behavior plays a vital role in determination of their satisfaction level.

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Money Laundering-A Negative Impact on Economy

By Iqra Ihsan & Amir Razi
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Abstract - This menace needs thorough probing whereby national money is remitted abroad thus depriving national exchequer for meeting its people's lawful needs. These unlawful acts of Heads of State, Government and high functionaries including agencies leave the country's economy in dilapidated conditions. This money is snatched through kick-backs and unfair means which we may discuss later on.

This issue is not only that of Pakistan rather it is faced by most of the third world countries. This needs eradication on national as well as on international level.

Civil society, judiciary, print and electronic media can play pivotal role for money laundering stoppage. This study is about the awareness of money laundering by businessmen; salary persons include government employees, lawyers, MNA's, inspectors. This cross sectional study was conducted from March 2012 to May 2012. A group of 51 persons took part in this study through a predesigned questionnaire which consists of five parts to meet the objectives, awareness, affects, laws, re-use of money laundering and corrective actions and we conclude that money laundering, an evil, can be eradicated through strict laws, government will to prevent, banking control with international help for the return of laundered money to its native country.

Keywords : *Awareness, Affects, Laws, Welfare, Corrective actions.*

GJMBR-B Classification : *FOR Code : 150202, 150205 JEL Code : G32, G11, G17*

MONEY LAUNDERING-A NEGATIVE IMPACT ON ECONOMY

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Keywords : Awareness, Affects, Laws, Welfare, Corrective actions.

I. Introduction

"Money Laundering is termed as money illegally obtained from the national economy and kept abroad for vested interests. This money is consisted of kick-backs, under/over invoicing gains, casinos, real estates and cash carriage in big/small lots"

Whereas this menace is faced by many countries like Afghanistan, Iraq, Libya, Iran, UK; Pakistan is also included in money laundering process. Rather in Apex Court, proceedings are undertaken for writing letters to Swiss Banks for bringing said money in Pakistan but government is reluctant to write such letters as immunity is applied under constitution of Pakistan for President. Even contempt of court case is pending adjudication against Prime Minister of Pakistan for not writing letter.

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In Pakistan besides President many high ups are involved in money laundering. A law has been promulgated in 2009 whereby a person shall be guilty of offence of money laundering if the person :

- Acquires, converts, possesses, uses or transfers property knowing or having reason to believe that such property is proceeds of crime;
- Conceals or disguises the true nature, origin, location, disposition movement or ownership of property knowing or having reason to believe that such property is proceeds of crime (Ref: Gazette of Pakistan 2009)

Money laundering takes several different forms:

- Structuring
- Bulk cash smuggling
- Cash-intensive businesses
- Trade-based laundering
- Shell companies and trusts
- Bank capture
- Casinos
- Real estate
- Black salaries

This issue is not only that of Pakistan rather it is faced by most of the third world countries. This needs eradication on national as well as on international level.

II. Problem Of The Study

Why money laundering is increased day by day and what are their effects on economy? And Is this money used for the welfare of the people of the economy?

III. Objective Of The Study

How it affects the nation and how much people aware of it. Economy's growth by preventing/controlling laundering money and use of this concealed money by legitimate means for the development and welfare of people.

IV. Literature Review

Ridley, N.

This deals with organized crime, money laundering, and terrorism. It traces the differing organized crime dynamics following the events of 1989, and discusses differing interpretations and concepts of organized crime. It then deals with international anti-money laundering measures and perceptions. Linked to this are the similarities—and differences—between money laundering and terrorist financing? There is a growing nexus between organized crime and terrorism which should not be overestimated when meeting the challenge of terrorist financing. The analysis of money laundering that finances the 'new' terrorism of the post-9/11 era has been further hampered by remaining locked into static money laundering concepts. This results in intelligence oversights, particularly in the area of exploitation of offshore jurisdictions.[1]

Billy Steel

"Money laundering is called what it is because that perfectly describes what takes place - illegal, or dirty, money is put through a cycle of transactions, or washed, so that it comes out the other end as legal, or clean, money. In other words, the source of illegally obtained funds is obscured through a succession of transfers and deals in order that those same funds can eventually be made to appear as legitimate income".[2]

Ignacio R. Bunye

The Financial Action Task Force (FATF), the international body established to fight money laundering and terrorist financing on a global scale, stressed that the economic and political influence of criminal organizations could weaken the social fabric, collective ethical standards, and the democratic institutions of society. The FATF also pointed out that criminal influence could likewise undermine countries' efforts in transitioning to democratic systems. Money laundering is inextricably linked to the underlying criminal activity that generated it. Laundering, the FATF emphasized, enables criminal activity to prosper.[3]

V. Methodology

It was analytical study conducted from March 2012 to April 2012. A group of 51 people was take part in this study through predesigned questionnaire which was consist of four parts, one related to the demographic portion, 2nd related to awareness of money laundering, 3rd related to the laws applies or not for stop money laundering and 4th related to the affects of money laundering on business 5th related to the re-use of money laundering for the welfare of nation. Convenience sampling was used in our survey and 50 samples were selected from the population of the different cities of Pakistan.

VI. Results

About the money laundering 100% salary persons know about money laundering and 100% of businessmen know about money laundering.88% salary persons and 65.4% businessmen suggested that money laundering can be stopped through education awareness in educational institutes,12% of salary persons and 26.9% businessmen suggested that money laundering cannot stopped through education awareness in educational institutes. And 7.7% businessmen did not know. About to stop money laundering through awareness in media 80% salary persons and 69.2% businessmen suggested yes and 16%, 30.8% not suggested and 4%, 0% did not know respectively.

64% and 46.2% salary persons and businessmen said yes that money is used in evil manner for terrorism.20% and 42.3% salary persons and businessmen said yes that money is not used in evil manner for terrorism.16% and 11.5% did not know about this awareness. (Table-1)

Table no:1	**Awareness of money laundering between**											
	Salary Persons (govt.employees,lawyers,MNA's)						**Businessmen**					
Questions	**Yes**		**No**		**Do not know**		**Yes**		**No**		**Do not know**	
	Frequency	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**
Do you know about money laundering?	25	100	0	0	0	0	26	100	0	0	0	0
Can this laundered money be stopped and used through education awareness in educational institutes?	22	88	3	12	0	0	17	65.4	7	26.9	2	7.7
Can we stop money laundering through awareness in media?	20	80	4	16	1	4	18	69.2	8	30.8	0	0
Can this money be used in evil manner for terrorism?	16	64	5	20	4	16	12	46.2	11	42.3	3	11.5

About the affects of money laundering,88% salary persons and 96.2% businessmen said "yes" it means that the money laundering affect on national income.8% salary persons said "no" and 4% and 3.8% did not know.84% of salary persons and 84.6% businessmen said "yes" that tax saving is a money laundering offence.16% and 15.4% salary and businessmen said that tax saving is not money laundering offence.88% and 96.2% salary persons and businessmen said "yes" it means that money laundering affect the national business.8% salary persons said that money laundering did not affect the national income.4% and 3.8% salary persons and businessmen did not know how it affect on national business. About the affect of foreign investment in country due to money laundering,76% salary persons and 73.1% businessmen said that it affect the foreign investment.20% and 23% said "no" it does not affect on foreign investment.4% and 3.8% did not know about it, respectively.

Pakistan is put on blacklist due to money laundering, 60%salary persons and 53.8% businessmen said "yes". 40% and 38.5% said that Pakistan is not in the blacklist due to money laundering. And 7.7% businessmen did not know about it. (Table-2)

Table no:2 Affects of money laundering on business

Questions	Salary Persons						Businessmen					
	Yes		No		Do not know		Yes		No		Do not know	
	Frequency	%	F	%	F	%	F	%	F	%	F	%
Is there any money laundering affect on national income?	22	88	2	8	1	4	25	96.2	0	0	1	3.8
Is saving tax is a money laundering offence?	21	84	4	16	0	0	22	84.6	4	15.4	0	0
Does money laundering affect national business?	22	88	2	8	1	4	25	96.2	0	0	1	3.8
Does money laundering affect foreign investment in our country?	19	76	5	20	1	4	19	73.1	6	23.1	1	3.8
Can Pakistan be put on blacklist due to money laundering?	15	60	10	40	0	0	14	53.8	10	38.5	2	7.7

About the laws of money laundering,96% salary persons and 84.6% businessmen said "yes" that it apply all of us. And 4%, 15.4% said it does not apply. About presence of the international forum to eradicate money laundering in our country,68% salary persons and 80.8% businessmen said "yes" there is an international forum.16%,19.2% said there is no international forum and 16%salary persons did not know about it.88% salary persons and 92.3% businessmen said the state bank of Pakistan play pivotal role for stopping money laundering through banking.8%,3.8% said "no" and 4%,3.8% did not know about it, respectively.80% salary persons and 76.9% businessmen said "yes" there are anti-money laundering laws in Pakistan.20%,19.2% said "no" there are not anti-money laundering laws in Pakistan and 3.8% businessmen did not know about laws of money laundering. (Table-3)

Table no:3 Laws apply for reduction of money laundering

Questions	Salary Persons						Businessmen					
	Yes		No		Do not know		Yes		No		Do not know	
	Frequency	%	F	%	F	%	F	%	F	%	F	%
Does the money laundering laws apply all of us?	24	96	1	4	0	0	22	84.6	4	15.4	0	0

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Is there any international forum to eradicate money laundering?	17	68	4	16	4	16	21	80.8	5	19.2	0	0
Can state bank of Pakistan play pivotal role for stopping money laundering through banking?	22	88	2	8	1	4	24	92.3	1	3.8	1	3.8
Are there any anti-money laundering laws framed in Pakistan?	20	80	5	20	0	0	20	76.9	5	19.2	1	3.8

About the re-use of money laundering, 80%salary persons and 46.2% businessmen said that laundered money can be used for the welfare of the people of Pakistan.20%, 53.8% said the laundered money cannot be used for the welfare of the people of Pakistan.72% salary persons and 57.7% businessmen said that this money can be used in development projects of the country,24%,42.3% said this money cannot be used in development projects of the country and 45 salary persons did not know about it. (Table-4)

Table-4 **Re-use of money laundering for the welfare of nation**

	Salary Persons						Businessmen					
Questions	**Yes**		**No**		**Do not know**		**Yes**		**No**		**Do not know**	
	Frequency	%	F	%	F	%	F	%	F	%	F	%
Can this laundered money be used for the welfare of the people of Pakistan?	20	80	5	20	0	0	12	46.2	14	53.8	0	0
Can this money be used in development projects of the country?	18	72	6	24	1	4	15	57.7	11	42.3	0	0

About the corrective measures can be taken in hand to prevent this money laundering 12% of salary persons and 7.7% businessmen said that through Tax money can be prevent,28%,26.9% said that there would be corruption free system,28%,11.5% said that adopt proper channel by using registered money launders to prevent money,28%,38.5% said that solid anti money laundering laws should be implemented,4%,15.4% said that state bank and FIA should take action to prevent money. About the responsibility of Government to stop this money laundering,4% salary persons and 7.7% businessmen said there should be a taxpaying stream.4%,3.8% said there should be Fiscal & monetary policy to stop money laundering.24%,7.7% said that there should be a direct action against laundered persons.28%,15.4% said that there should be efficient banking system and records to stop money laundering.16%,23.1% said that the government should contact with international community and verify all records.4%,23.1 said that remove the corruption,20%,19.2% said that we should develop awareness in nation by media. (Table-5)

Table-5 **Corrective actions to control money laundering**

		Salary persons		Businessmen	
		F	%	F	%
What corrective measures can be taken in hand to prevent this money laundering?	i. Tax	3	12.0	2	7.7
	ii. corruption free system	7	28.0	7	26.9
	iii. adopt proper channel by using registered money launders	7	28.0	3	11.5

	iv.	solid anti money laundering laws should be implemented	7	28.0	10	38.5
	v.	state bank and FIA should take action	1	4.0	4	15.4
What is the responsibility of Government to stop this money laundering?	i.	taxpaying stream	1	4.0	2	7.7
	ii.	fiscal & monetary policy	1	4.0	1	3.8
	iii.	direct action against laundered	6	24.0	2	7.7
	iv.	efficient banking system and records	7	28.0	4	15.4
	v.	govt. contact with international community and verify	4	16.0	6	23.1
	vi.	remove corruption	1	4.0	6	23.1
	vii.	develop awareness in nation by media	5	20.0	5	19.2

VII. Analytical Results

In the cases regarding the awareness about money laundering, in results there is no association. This shows that businessmen and salary persons (Government employees, lawyers and MNA's) both respondents are on same side that they are unsatisfied about the awareness of money laundering through education and media. The following table shows the statistical figures of cases/ questions related to the awareness about money laundering. In which it's cleared that the results are no association because P-Value of all cases is greater than 0.05 (Table 6).

Table 6: There is no association between occupation and awareness of money laundering

Cases	Chi-square value	P-value
Can this laundered money be stopped and used through education awareness in educational institutes?	4.223	.121
Can we stop money laundering through awareness in media?	2.420	.298
Can this money be used in evil manner for terrorism?	2.946	.229

Under the affects of money laundering on business, in results there is no association which means that the salary persons respondents and businessmen respondents both are unsatisfied or at neutral at the edge of money laundering affects on business. The Table 7 shows the chi-square and P-value of the cases in which the P-value is greater than 0.05.

Table 7: There is no association between occupation and affects of money laundering on business		
Cases	**Chi-square value**	**P-value**
Is there any money laundering affect on national income?	5.765	.065
Is saving tax is a money laundering offence?	.004	.952
Does money laundering affect national business?	2.173	.337
Does money laundering affect foreign investment in our country?	.071	.965
Can Pakistan be put on blacklist due to money laundering?	2.016	.365

In the case of laws apply for reduction of money laundering; in results there is no association which is directing to the dilemma that there are no anti-money laundering laws used to reduce the money laundering. The Table 8 is showing the chi-square and P-value of the cases which are greater than 0.05.

Table 8: There is no association between occupation and laws apply for reduction of money laundering		
Cases	**Chi-square value**	**P-value**
Does the money laundering laws apply all of us?	1.868	.172
Is there any international forum to eradicate money laundering?	4.514	.105
Can state bank of Pakistan play pivotal role for stopping money laundering through banking?	.401	.818
Are there any anti-money laundering laws framed in Pakistan?	.981	.612

In the case of welfare items, in results there is no association which are directing to the dilemma that laundered money is not used for the welfare items and salary persons and businessmen both are on the same way of sharing information. The Table 9 is showing the chi-square and P-value of the cases which are greater than 0.05.

Table 9: There is no association between occupation and re-use the laundered money for the welfare items of nation		
Cases	**Chi-square value**	**P-value**
Can this laundered money be used for the welfare of the people of Pakistan?	6.246	.012
Can this money be used in development projects of the country?	2.725	.256

In the case of corrective measures to stop money laundering, in results there is no association which are directing to the dilemma that laundered money is not used for the welfare through reduce taxes, and salary persons and businessmen both are on the same way of sharing information. The Table 10 is showing the chi-square and P-value of the cases which are greater than 0.05.

Table 10: There is no association between occupation and Government action to stop money laundering.		
Cases	**Chi-square value**	**P-value**
What corrective measures can be taken in hand to prevent this money laundering?	4.111	.391
What is the responsibility of Government to stop this money laundering?	7.106	.311

VIII. Recommendations And Conclusion

There are some ways to reduce this menace

Awareness be spread on gross root level where everybody should be hold enough to say "Nip the evil in the bud" this is possible when printed and electronics media plays its constructive role.

Centralization policy for according approval mega and small development projects be enacted forthwith and strict vigilance control on approving authorities be envisaged. Thus money laundering will be prevented up to maximum level.

Laws be legislated in parliament and judiciary be made strong to have strict control on money laundering.

International laws be formulated and particularly on banking system only then money laundering can be controlled. For example, if one billion rupees money is laundered and deposited in fore+ign bank, either that bank should refuse to deposit such illegitimate money or be remitted back to the native country's government for its legitimate use on national level.

IX. Conclusion

According to our study we conclude that the responses from the occupation it is clear that people are aware about the money laundering. In this study we discover that there is no association between occupation and awareness of money laundering it means they both are known about money laundering. . In this study we discover that the money laundering is having an effect on national income and it also affects the foreign investment. According to both respondents, there are some anti-money laundering laws that can prevent the money laundering. According to both respondents we can re-use the laundered money for the welfare of nation. Government can also stop the money laundering through tax saving, efficient banking record system and develop awareness in nation by media. So the five elements on which the whole study is consisted are the ways to improve the laws against money laundering and reduce this evil crime.

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Impact of Television Food Channels on Society

By Suhail Aziz Zaidi, Sehrish Suhail Zaidi & Muhammad Akram Naseem
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Abstract - The objective of this is paper to study the impact of TV food channels on society, with respect to economic, social and psychological aspects. Survey method is used to collect the primary data. In subcontinent eating is source of pleasure, entertainment, fun, and way to express love & respect to others. No clear evidence, but assumed by anthropologists that cooking fires began only about 250,000 years ago, accidently. Television is most effective means of communication; it has altered our activities, family and social interaction patterns, cultural practices, domestic & personal expenditure, and has greatly influences in decision making procedure. In Pakistan there are three 24-hours dedicated food channels, and study depicts they have created three factors in society i.e. Improvement, Change, and Awareness.

Keywords : Food, Change, Impact, TV Food Channels, Effective Means, Society.

GJMBR-B Classification : FOR Code :150401 JEL Code:I31, I38

IMPACT OF TELEVISION FOOD CHANNELS ON SOCIETY

Strictly as per the compliance and regulations of:

Impact of Television Food Channels on Society

Suhail Aziz Zaidi [α], Sehrish Suhail Zaidi [σ] & Muhammad Akram Naseem [ρ]

Abstract - The objective of this is paper to study the impact of TV food channels on society, with respect to economic, social and psychological aspects. Survey method is used to collect the primary data. In subcontinent eating is source of pleasure, entertainment, fun, and way to express love & respect to others. No clear evidence, but assumed by anthropologists that cooking fires began only about 250,000 years ago, accidently. Television is most effective means of communication; it has altered our activities, family and social interaction patterns, cultural practices, domestic & personal expenditure, and has greatly influences in decision making procedure. In Pakistan there are three 24-hours dedicated food channels, and study depicts they have created three factors in society i.e. *Improvement*, *Change*, and *Awareness.*

Keywords : Food, Change, Impact, TV Food Channels, Effective Means, Society.

I. Introduction

"I don't believe in twisting yourself into knots of excuses and explanations over the food you make... Usually one's cooking is better than one thinks it is. And if the food is vile...then the cook must simply grit her teeth and bear it with a smile- and learn from her mistakes."
— Julia Child, My Life in France

In this world people eat to live, but in subcontinent eating is more than that, it is source of pleasure, entertainment, fun, and way to express love & respect to others, it is enriched with cultural, psychological, emotional, and even religious significance; from Mughal Emperor to common man everyone was found of delicious and spicy food. The spices of sub-continent holds a great history with them these rare and precious spices attracted the Europeans and British in this way that they came to subcontinent for trade of spices, and occupied the subcontinent.

There is no clear evidence as to when the practice of cooking food was first conceived, most anthropologists believe that cooking fires began only about 250,000 years ago, when hearths started appearing. Cooking was invented as far back as 1.8 million to 2.3 million years ago, whereas other researchers believe that cooking was invented as late as 40,000 or 10,000 years ago. Primitive humans may first have savored roast meat by chance, when the flesh of a beast killed in a forest fire was found to be more palatable and easier to chew and digest than the customary raw meat. They probably did not deliberately cook food, though, until long after they had learned to use fire for light and warmth.

Television is considered the most effective means of communication; it is also very powerful and popular medium. It is said that television has altered our world. It influences the minds of people and also changes their perception about life style. In Pakistan the emergence of new private entertainment, sports, and cooking channels are increasing. It has increased our knowledge about food and diversified our menus. Housewives, who previously used to frown upon cooking, are now taking delight in mastering this art. The numerous food channels with their chefs and experts have become food gurus, transferring their skills conveniently to every person desiring to spruce up their dinner, diversifying dining tables with an assortment of food both local and international, and reforming eating habits along the way.

Initially international networks like BBC Food introduced the trend of food channels, and now in Pakistan there are three 24-hours dedicated food channels i.e. *MasalaTV*, *ZaiqaTV*, and *ZaukTV.* The Hum Network Limited (HNL) has launched "*Masala TV*" channel which is most popular media network in Pakistan.

Ever since its launch *Masala TV* has successfully attracted audience in bulks. The timing and planning of the channel was brilliant, launched 1 day prior to the month of Ramadan, in September 2006, "*Masala*" became a household name that was recognized all across Pakistan and helped set the dinner tables in almost all homes during the month of fasting.

Masala TV has the distinction of being the first food channel dedicated exclusively to food programs broadcasted from Asia, being the pioneer Channel is proud to promote Pakistani food and culture. Its target audiences are food lovers who can appreciate eating, cooking good cuisine and see food as an integral part of their lives. Channel believes that good food brings people together, *Masala TV* fuels this motto by offering its viewers a blend of traditional and non-traditional magazine-style shows, cooking with top chefs, live interactive shows and food-oriented travel programming in addition to a list of *Masala TV* merchandise like Pakistan's largest circulated magazine "*Masala TV Food Mag*".

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AryZauk TV was launched by ARY Group in 2009 as their 24 hour cooking channel with different styles and presentation. The healthy competition in the cooking channels gave the audience a chance to choose from a variety of super hit shows conducted by the cooking experts and professionals, this channel made immense contribution to the culinary industry of Pakistan.

Zaiqa TV The competition started to heat up and another cooking channel was launched in May 2010 with full confidence of surviving in such a competitive environment, it came into the scene as a third 24 hours dedicated food channel of Pakistan, with aims to provide quality information and innovative recipes so that they can be a part of every kitchen in Pakistani household and also amongst the viewer's abroad.

These channels have introduced different styles of cooking, cutting and presentation of food. The Chefs and presenters, like Zakir, Gulzar, Maida Rahat, and Shireen Anwar have become celebrity with in short Spain of time; their popularity is evident from their TRP, commercials run during breaks, and viewers live calls during programs, and comments on *Facebook*, *Twitter*, and TV channel's websites. There are reality cooking shows, and regular *Cook-at-home* shows, and provides knowledge as well as entertainment to the viewers.

Besides these Pakistani cooking channels *BBC Food* renamed as *BBC Lifestyle* is pioneer in this field, which is very popular among people including its famous shows *Master Chef.* The channel is owned and operated by BBC Worldwide, the BBC's commercial arm.

II. Literature Review

Jason C.G. et al. (2003) studied the impact of television (TV) advertisements (commercials) on children's eating behavior and health is of critical interest. In a preliminary study we examined lean, over weight and obese children's ability to recognize eight food and eight non-food related adverts in a repeated measures design. Their consumption of sweet and savory, high and low fat snack foods were measured after both sessions. The ability to recognize the food adverts significantly correlated with the amount of food eaten after exposure to them.

Zia(2007) studied about heavy and light viewers of Lahore and concluded that the heavy viewers of television especially cable television greatly effect on their activities, family and social interaction patterns, cultural practices, domestic and personal expenditure.

Chou (2006) stated in his work on Fast Food Advertising that the major reason behind the child obesity is due to the catchy advertisements of the restaurants. As they enjoy watching them so do they eat them and it results in their obesity as the advertisements are made to attract them.

Young and Webly stated in their research work, that the advertising is principal influence on children's eating behavior. They may or may not understand commercials, the transition from exposure to advertising to modification in eating behavior takes a rather complex route and it influences their eating patterns for their entire life.

After reviewing existing discussions of medialization by Krotz (2007), Schulz (2004), Thompson (1995), and others, an institutional approach to the medialization process is suggested. Medicalization is to be considered a double-sided process of high modernity in which the media on the one hand emerge as an independent institution with a logic of its own that other social institutions have to accommodate through both interactive and mass media.

III. Objectives

To study the impact of TV food channels on viewers, and society; with respect to economic, social and psychological aspects, with special focus demographic data:

a) Improvement in quality, variety and taste of food.
b) Change in life style.
c) Awareness regarding healthy food.

IV. Methodology

Survey method is used to collect the primary data to carry out the research. The Survey is the technique of gathering data by asking questions to people who are thought to have desired information. A list of 15 structured questions is prepared, through 400 questionnaires data is collected from different segments of life using Convenience Sampling technique on the basis of non-probability sampling where respondents are selected because of convenient accessibility and proximity. Respondents gave reply through 5-level Likert Scale, collected data nature is ordinal.

Entire data is fed in to SPSS16, apply different tests and prepare frequency tables, bar-chart, pie-chart and KNO & Bartlett's test, as mentioned in Appendix-I.

V. Analysis

A survey was conducted regarding impact of TV food channels on society, for this purpose 400 questionnaires were distrusted by using convenience sampling technique, among students, housewives, businessmen, private servants, government servants, in Lahore, received 373 feedback, response rate is 93%, which is excellent.

The Table-1 and Chart-1 depict that 73% respondent watch TV food channels, which includes 14% males, and 86% females, out of which 58% are singles, and 42% are married, 75% viewers fall in age category of up to 25 years, as far as education is concerned 71% are up to graduation, and 51% are student by profession.

The analysis of viewership data as per Table-2 shows that of 54% males watch food channels and 46% males do not watch food channels, whereas 77% females watch food channels, and 23% females do not watch food channels, it means that there is no difference between viewers and non-viewers in males but majority of females watch food channels.

71% of single persons watch food channels, 29% do not watch. 76% married persons watch food channels, 24% do not watch.

From the age groups up to 15 years of age, 66% watch food channels, 34% do not watch, in 16 to 25 years age group 76% watch food channels, 24% do not watch, in 26 to 35 years age group 74% watch food channels, 26% do not watch, in 36 to 45 years age 73% watch food channels, 27% do not watch, and in above 45 years age group 63% watch food channels, 45% do not watch, it means that up to the age of 45 majority of viewers watch food channels, whereas above the age of 45 years viewership is little bit less.

On the basis of education we see that up to matric 62% watch food channels, 38% do not watch, 73% intermediate watch food channels, 37% do not watch, 78% graduate watch food channels, 22% do not watch, 74% post- graduate watch food channels, 26% do not watch, 61% above post-graduate watch food channels, 39% do not watch, which means that food channels are popular among public irrespective of their education level.

On the basis of professions we see that 71 % students watch food channels, 29% do not watch, 85% housewives watch food channels, and 15% do not watch, 78% businessmen watch food channels, 22% do not watch, 71% private servants watch food channels, 29% do not watch, 50% governments servants watch food channels, 50% do not watch, which means that food channels are popular among general public irrespective of their professions, except government employees.

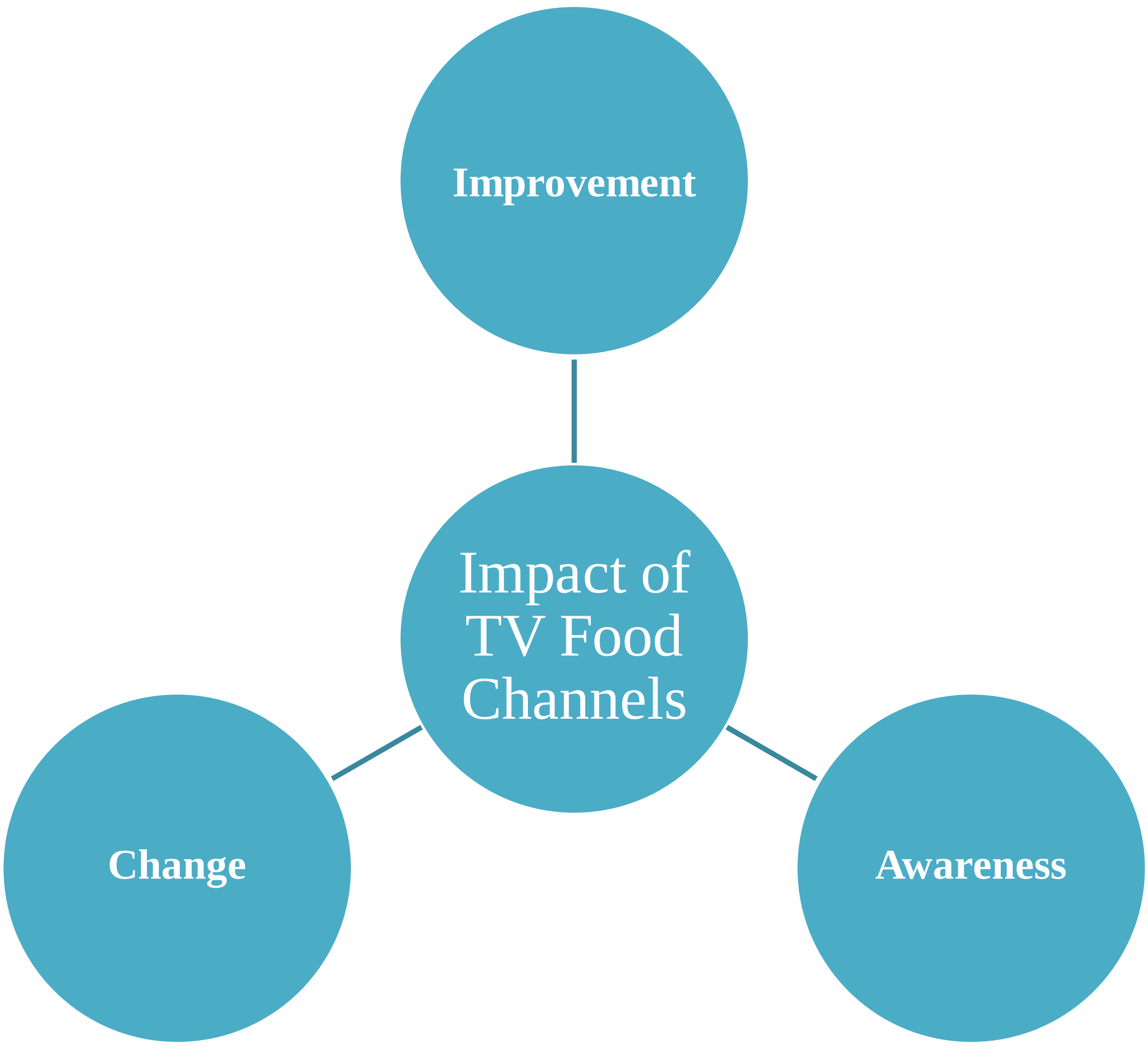
The analysis of data as per Chart-2 reflects that *Masala TV* channel is most popular channel its viewership is 75%, whereas different channels have viewership as Zaiqa 10%, Zauk 03%, BBC food, and others 05%.

a) Factor Analysis

The Table-3 illustrates responses of 15 questions, and show that data is sufficient for factor analysis, the result of KMO and Bartlett's Test also support our finding because Adequacy is 83%, and *P-Value* is near to zero, which means we should proceed, and by definition KMO measure the sampling adequacy, it is a test of amount of variance within the data that could be explained by factors: as a measure of factorability a KMO 0.5 is poor, 0.6 is acceptable, and a value closer to 1 is better.

From Scree Plot it is observed that only three points above the Eigen value 1, which means 15 items distributed among three factors. The distribution of different items in three factors is as under

Factor 1	Factor 2	Factor 3
Improvement	Change	Awareness
Question number 01 to 06 observe *improvement* factor.	Question number 07 to 11 observe *change* factor.	Question number 12 to 15 observe *awareness* factor.



Question number 01 to 06 observe *improvement* factor.	Question number 07 to 11 observe *change* factor.	Question number 12 to 15 observe *awareness* factor.

On the basis of above the following model is suggested

VI. Conclusion

To the best of the knowledge this study offers the first insights into the benefits of TV food channels on viewers and society.

The results of survey reflects that 73 % viewers watch TV food channels, gender wise distribution is that 14% males, and 86% females. On the basis of analyses it has been observed that TV food channels are very popular among, single, and married persons, in all age groups, having any level of education and profession.

Responses of 15 structured questions show that TV Food Channels have impact on society; they have altered our activities, family and social interaction patterns, cultural practices, domestic & personal expenditure, eating habits, and greatly influences in decision making procedure. In Pakistan there are three 24-hours dedicated food channels i.e. *MasalaTV*, *ZaiqaTV*, and *Zauk TV*. The study shows that "*Masala TV*" is most favorite channels its viewership is 75%. The Chefs and presenters are celebrity; their popularity is evident from viewers live calls during programs, and comments on *facebook*, *twitter,* and TV channel's websites.

The **Factor Analyze** pointed out three interrelated factors i.e. ***Improvement***, ***Change***, and ***Awareness*** these are indicators of impact in quality, variety & taste of food, change in life style, and awareness regarding good eating habits, and healthy food.

Appendix - I

Table 1

Demographic Sample (% of participant)		
Gender	Male	14
	Female	**86**
Marital Status	Single	**58**
	Married	42
Age(in years)	Up to 15	12
	16-25	**51**
	26-35	20
	36-45	13
	above 45	5
Education	Up to Matric	10
	Inter	21
	Graduate	**40**
	Post Graduate	24
	Above	5
Profession	Student	**51**
	House hold	23
	Business	7
	Private Service	12
	Govt. Service	6

Table 2

% of TV Food Chanel Viewership			
Gender	Male	Yes	54
		No	46
	Female	Yes	77
		No	23
Marital Status	Single	Yes	71
		No	29
	Married	Yes	76
		No	24
Age(in years)	Up to 15	Yes	66
		No	34
	16-25	Yes	76
		No	24
	26-35	Yes	74
		No	26
	36-45	Yes	73
		No	27
	above 45	Yes	63
		No	37

% of TV Food Chanel Viewership			
Education	Up to Matric	Yes	62
		No	38
	Inter	Yes	73
		No	27
	Graduate	Yes	78
		No	22
	Post Graduate	Yes	74
		No	26
	Above	Yes	61
		No	39
Profession	Student	Yes	71
		No	29
	House hold	Yes	85
		No	15
	Business	Yes	78
		No	22
	Private Service	Yes	71
		No	29
	Govt. Service	Yes	50
		No	50

Table 3

% of The Responses Against Different Items						
S. No	Items	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Food channels improve cooking techniques for dishes already cooked at your home.	4	3	12	35	21
2	Food channels educate you about new dishes.	2	3	5	32	32
3	After watching these channels you try new dishes	3	3	15	28	25
4	These channels are necessary for public awareness regarding food	2	3	17	24	27
5	Do you think that in the result of increased awareness about food and taste health related problems have been reduced?	4	10	23	28	9
6	Viewers are receiving better information regarding food impacts on health?	1	7	15	36	14
7	Do you feel comfortable if you cannot afford a food you like?	8	15	17	24	10
8	Do you want to change your kitchen style as shown in cooking shows?	7	11	13	24	18
9	You think that some parts of society cannot afford the ingredients commonly used in TV food channels.	4	6	12	23	28
10	Do You think that the consumption of junk food among viewers especially kids, has increased significantly	4	7	17	26	20
11	You think that awareness regarding new dishes has created frustration in society.	8	15	20	20	10
12	You think that market has been exploiting the prices of ingredients just because of the increased awareness from these TV food channels.	3	10	12	27	21
13	Budget of your kitchen has increased due to these demands.	4	7	14	28	21

14	You think that food channels only show the recipe of lavish dishes.	8	16	21	18	10
15	This increased awareness has raised the demand of certain type food type and hence rise in their prices.	2	11	17	27	16

Table 4

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.831
Bartlett's Test of Sphericity	Approx. Chi-Square	897.084
	df	105
	Sig.	.000

Chart-1

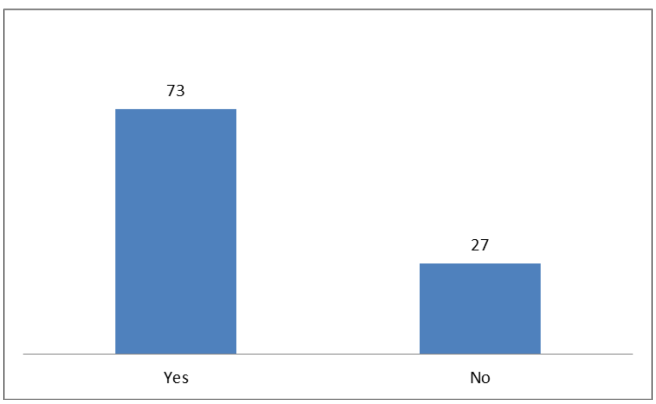


Chart-2

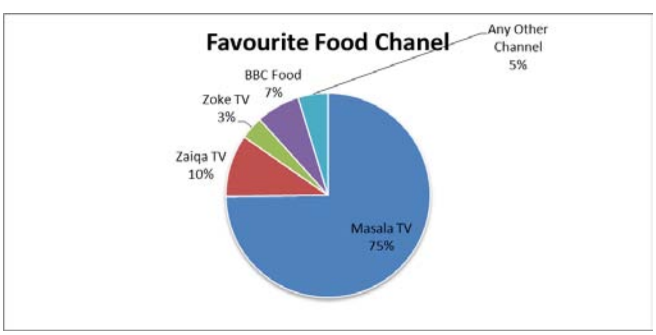
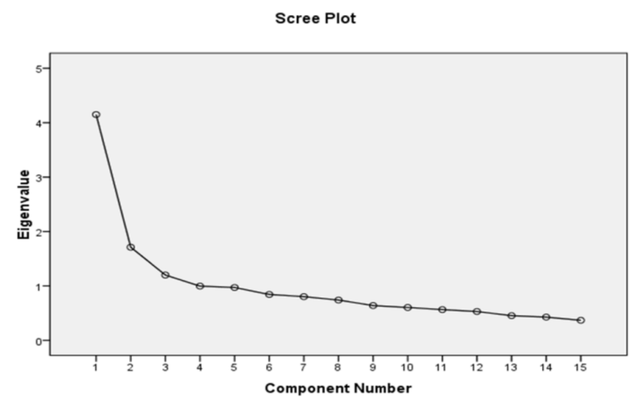


Diagram-1



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Working Capital Management: Is It Really Affects the Profitability ? Evidence from Pakistan

By Asghar Ali & Syed Atif Ali
The University of Lahore

Abstract - Firm's financial management policies compose of very important decisions including working capital management. Working Capital of a firm comprises on current assets. Current assets are cash and equivalents, accounts receivable, and inventory items of a firm. Working Capital Management is applying Investment and Financing Decisions to Current Assets. Most of the researchers found a positive impact of working capital management decisions on profitability of organizations. It directly affects the liquidity and profitability of the firm. In this research article, 15 research papers of different scholars have been studied and compared. The results showed impact of working capital on profitability and supported the hypotheses.

Keywords : *Profitability, Working Capital, Total Assets.*

GJMBR-A Classification : *FOR Code :150201,150105 JEL Code : G31*

WORKING CAPITAL MANAGEMENT IS IT REALLY AFFECTS THE PROFITABILITY? EVIDENCE FROM PAKISTAN

Strictly as per the compliance and regulations of:

Working Capital Management: Is It Really Affects the Profitability ? Evidence from Pakistan

Asghar Ali [α] & Syed Atif Ali [σ]

Abstract - Firm's financial management policies compose of very important decisions including working capital management. Working Capital of a firm comprises on current assets. Current assets are cash and equivalents, accounts receivable, and inventory items of a firm. Working Capital Management is applying Investment and Financing Decisions to Current Assets. Most of the researchers found a positive impact of working capital management decisions on profitability of organizations. It directly affects the liquidity and profitability of the firm. In this research article, 15 research papers of different scholars have been studied and compared. The results showed impact of working capital on profitability and supported the hypotheses.

Keywords : Profitability, Working Capital, Total Assets.

I. Introduction

Firm's financial management policies compose of very important decisions including working capital management (WCM). Working Capital of a firm comprises on current assets. Current assets are cash and equivalents, accounts receivable, and inventory items of a firm. The decisions made in respect of current assets are called working capital management. Most of the researchers found a positive impact of working capital management decisions on profitability of organizations. It directly and positively affects the profitability of the firms. In this article, total 15 companies are selected at random from Textile, Chemical and Engineering sector i.e. 5 from each sector. The results showed positive impact of WCM on profitability and supported the hypothesis.

II. Literature Review

Semra Karacaer, Mehmet Aygün and Ayhan Kapusuzoğlu (2009) observed that, in terms of their revenues, the firms in the first group were very sensitive to changes in earning level and less sensitive to unexpected changes (positive/negative) in the working capital accruals; those in the second group were very sensitive to changes in earning level and less sensitive to unexpected changes (positive/negative) in the working capital accruals as well as firm size; and finally, those in the third group were very sensitive to changes in earning level and less sensitive to earnings level and firm size.

Vedavinayagam Ganesan (2007), found that the working capital management efficiency is negatively associated to the profitability and liquidity. When the working capital management efficiency is improved by decreasing days of working capital, there is improvement in profitability of the firms in telecommunication firms in terms of profit margin.

Patrick Buchmann and Udo Jung (2009), observed that applying best practices of working capital management also means applying value-oriented management of tradeoffs between NWC and fixed assets, and between NWC and costs. The isolated treatment of individual levers has its boundaries and, therefore, all elements of tied-up capital across the balance sheet (fixed assets, inventories, receivables, payables, and cash) have to be considered as a whole.

Karamjeet Singh and Firew Chekol Asress (2010), concluded that firms which have adequate working capital in relation to their operational size are performed better than those firms which have less than the required working capital in relation to their operational size. If firms actual working capital is below the required working capital in relation to their operational size, firms are forced to produce below their optimal scale and this create problem to run day to day activities smoothly, so this lead firms to generate low return on their investment.

Corazon L. Magpayo (2011), highlighted the importance of working capital management and financial leverage on the firms' financial performance is emphasized in this study to bring attention of business leaders to the obvious but is often neglected. The next step is to look into the best practices of top performing companies. What working capital management strategies may be implemented to minimize investment in current assets, at the same time maximize use of financial leverage at the firm's acceptable financial risk appetite and concluded that aggressive working capital management policy reflected in low investments in current asset influences net income positively.

Afza, T. and MS Nasir (2007) found no significant relationship between working capital management policy and financial performance among the 208 public limited companies listed in the Karachi

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Stock Exchange. They measured aggressive working capital investment policy in terms of low level of investment in current assets as percentage of total assets. On the other side of the spectrum are companies with high investments in current assets vis-à-vis total assets, which they classified as advocating conservative working capital management policy.

Wajahat Ali and Syed Hammad Ul Hassan (2010) study of 37 listed companies in the OMX Stockholm Stock Exchange showed no significant relationship between profitability and working capital management policy when grouped as aggressive, defensive or conservative based on cash conversion cycle. The ratio of current asset to total assets of the observations in this study was another possible proxy variable for working capital management, but the data failed the tests of normality. Because of this limitation, dummy variables were used instead to capture the effect of working capital management policy on profitability.

Garcia-Teruel and Marinez-Solano (2007) affirmed in their study the importance of working capital management to corporate profitability especially among small and medium enterprises by providing empirical evidence on the effects of working capital management on the profitability of 8,872 small and medium-sized Spanish firms. They demonstrated in their study how managers can improve profitability by shortening the cash conversion cycle through inventory reduction and reduction in the outstanding number of days receivables.

Kesseven Padachi (2006) the different analyses have identified critical management practices and are expected to assist managers in identifying areas where they might improve the financial performance of their operation. The results have provided owner-managers with information regarding the basic financial management practices used by their peers and their peers attitudes toward these practices. The working capital needs of an organization change over time as does its internal cash generation rate. As such, the small firms should ensure a good synchronization of its assets and liabilities.

Deloof (2003) have found a strong significant relationship between the measures of Working Capital Management and corporate profitability. Their findings suggest that managers can increase profitability by reducing the number of day's accounts receivable and inventories. This is particularly important for small growing firms who need to finance increasing amounts of debtors.

Raheman A., Afza T, Qayyum A, Bodla M.A (2010) the Cash Conversion Cycle and Net Trade Cycle offer easy and useful way to check working capital management efficiency. For value creation of shareholders, firms must try to keep these numbers of days to minimum level.

Afza and Nazir (2007) investigated the relationship between aggressive and conservative working capital policies for a large sample of 205 firms in 17 sectors listed on Karachi Stock Exchange during 1998-2005. They found a negative relationship between the profitability measures of firms and degree of aggressiveness of working capital investment and financing policies.

Lazaridis and Tryfonidis (2006) investigated the relationship of corporate profitability and working capital management for firms listed at Athens Stock Exchange. They reported that there is statistically significant relationship between profitability measured by gross operating profit and the Cash Conversion Cycle. Furthermore, Managers can create profit by correctly handling the individual components of working capital to an optimal level.

Amarjit Gill, Nahum Biger, Neil Mathur (2010) the finding indicates that slow collection of accounts receivables is correlated with low profitability. Managers can improve profitability by reducing the credit period granted to their customers. Regarding the average days of accounts payable previous studies reported negative correlation of this variable and the profitability of the firm. They found no statistically significant relationship between these variables.

B.A Ranjith Appuhami (2008) On the basis of the findings of the research, it can be concluded that the listed companies in Thailand change their working capital management policies based on many factors, such as capital expenditure, operating cash flow, sales growth, etc. Thus, I can recommend that firms operating in other countries consider the pattern of capital expenditure in managing working capital. Especially, the findings suggest that companies manage working capital efficiently when companies have growth opportunities so that they can meet required capital expenditure to expand their business.

III. Research Objectives

The objectives of this research article are:

- To find the affect of working capital on profitability of firms.
- To find the affect of total assets on profitability of firms.
- To find the affect of working capital on total assets of firms.

IV. Hypothesis Development

The following hypotheses are developed:

H1 = There is positive impact of working capital management on profitability of firm.

H2 = There is positive impact of total assets on profitability of firm.

V. Data Methodology

Data is obtained from the website of State Bank of Pakistan having balance sheet analysis report of joint stock companies listed on the Karachi Stock Exchange from 2003 to 2008.

VI. Analysis

Data of six years from 2003 to 2008 taken from balance sheets of 15 companies from the balance sheet analysis report of State Bank of Pakistan. Figure 1 above shows a comparison of working capital, total assets and profitability of firms.

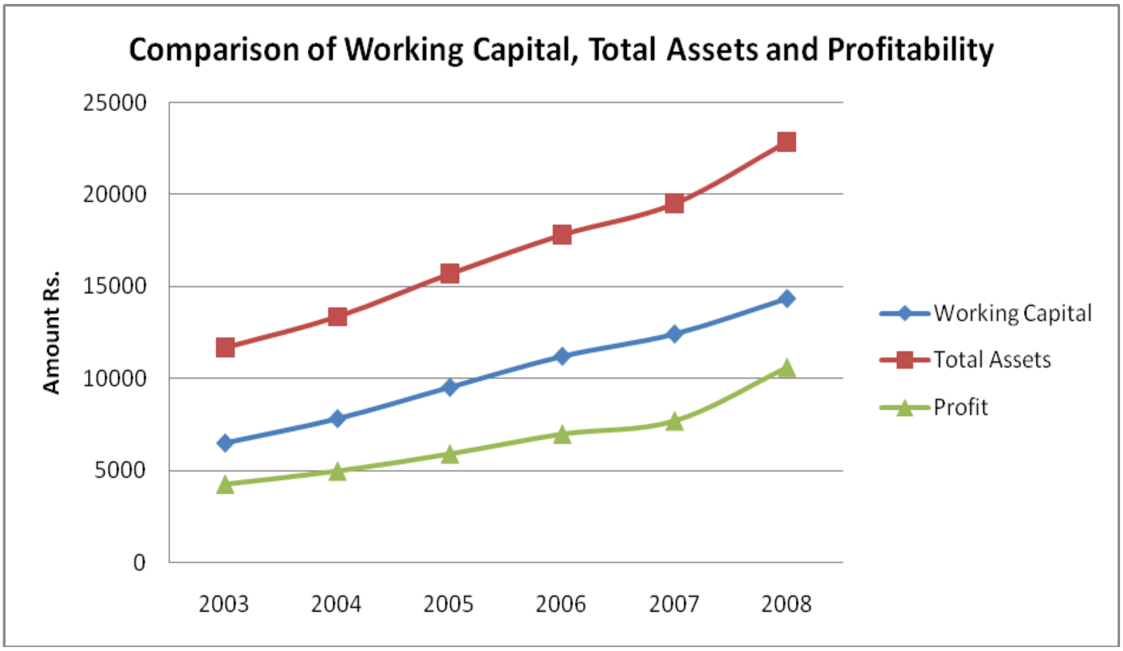

Figure 1 : Comparison of Working Capital, Total Assets and Profitability

Regression analysis applied using SPSS and results expressed in following three models are observed:

Model 1

PROFIT= **α** + **β** WC + **ϵ**
PROFIT = Profitability
WC = Working Capital
TA = Total Assets

Model is estimated using Ordinary Least Square (OLS) technique assuming linearity and got the following results.

PROFIT =	2.642 +	0.608WC ; R^2 = 0.774
Std.Error	64.824	0.430
t-stat	0.410	14.108
P-Value	0.968	0.000

Results mentioned in model 1 above showing positive impact of working capital on profitability of the firms. Efficient management and sufficient amount of working capital increased the profitability of the firms.

Model 2

PROFIT= **α** + **β** TA + **ϵ**

Model is estimated using Ordinary Least Square (OLS) technique assuming linearity and got the following results.

PROFIT =	-193.633 +	0.489TA ; R^2 = 0.795
Std.Error	70.931	0.033
t-stat	-2.730	15.002
P-Value	0.008	0.000

Results mentioned in model 2 above showing positive impact of total assets on profitability of the firms. Total asset shows the strong financial position of the firms. Firms having much total assets also have choices for making better financial decisions which increase the profitability of the firms.

Model 3

TA= **α** + **β** WC + **ϵ**

Model is estimated using Ordinary Least Square (OLS) technique assuming linearity and got the following results.

$TA = 428.380 + 1.218WC$; $R^2 = 0.934$		
Std.Error	64.076	0.043
t-stat	6.686	28.608
P-Value	0.000	0.000

Results mentioned in model 3 above showing positive impact of working capital on total assets of the firms. Firms with sufficient amount of working capital have enough total assets. The firms having better working capital have enough total assets which affects the increase in ratio of profitability of firms.

VII. Conclusion

The study showed a positive impact of working capital management on profitability, working capital on total assets and impact of total assets on profitability of 15 companies of 3 different sectors of Pakistan. Considering the results it is evident that efficient management of working capital can lead a firm towards profitability. The firms should improve their receivables and other currents assets components for sufficient working capital. Efficient management of inventories enhances the profitability of firms. It is concluded that firms with higher working capital have higher ratio of profitability and firms with higher total assets also have higher ratio of profitability. The firms having sufficient working capital also have enough total assets. So it is observed that firms having sufficient proportion of working capital have positive effect on total assets and profitability of the firms.

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Mutual Funds Performance Evaluation: A Case of Pakistani Mutual Funds Industry in Years 2008-10

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Introdustion - Basic mind set of any type of Investor is to manage the risk and maximize the returns. The common phenomenon in managing the risk is, not to put all the eggs in one basket in financial markets and this phenomenon is known as diversification. The diversification required choosing which baskets to put your eggs in; and most importantly how much? This question and lack of expertise to invest in the financial markets given birth to the mutual funds, along with the entrepreneurial mind set of the financial market experts. The financial market experts found a gap and translated it in to the win-win situation for those who doesn't exactly know when and where to invest and minimizing the risk through efficient management of funds through large portfolios, having enough capital to divest.

GJMBR-A Classification : FOR Code : 150203, 150205 JEL Code : G23, G32

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Strictly as per the compliance and regulations of:

Mutual Funds Performance Evaluation: A Case of Pakistani Mutual Funds Industry in Years 2008-10

Bilal Ahmad Abbasi [α] & Dr. Syed Muhammad Amir Shah [σ]

I. Introduction

Basic mind set of any type of Investor is to manage the risk and maximize the returns. The common phenomenon in managing the risk is, not to put all the eggs in one basket in financial markets and this phenomenon is known as diversification. The diversification required choosing which baskets to put your eggs in; and most importantly how much? This question and lack of expertise to invest in the financial markets given birth to the mutual funds, along with the entrepreneurial mind set of the financial market experts. The financial market experts found a gap and translated it in to the win-win situation for those who doesn't exactly know when and where to invest and minimizing the risk through efficient management of funds through large portfolios, having enough capital to divest.

Another rationale of mutual funds incorporation is to provide the opportunity to those small investors who has the savings but doesn't have the sufficient time to spare for multiple income sources, to monitor or to keep an active eye on the financial market dynamics.

A portfolio can have the possibility of reducing the risk through diversification. Effective and efficient diversification required substantial funds to be invested. The Gap between the undersized fund holders and the financial expertise been filled with the introduction of the mutual funds. Financial experts required the sizeable funds to minimize the risk through portfolio diversification and the undersized fund holders required the financial experts to maximize the earnings on their funds. This need based joint win-win situation shaped the introduction of the mutual fund markets.

A team of skilled people manages the funds of savers and in turn invest these funds in different financial market securities e.g stocks, bonds, and other profitable businesses. This team of professionals is called fund managers and are responsible for investment decisions The evaluation of this need base multiparty phenomena endow with risk minimization led towards the attraction for the institutions of a new way to minimize the risk, prior to introduction of mutual funds in the middle of the 20th century the risk was measured on the rate of returns. The introduction of the mutual funds created the art of controlling unsystematic risk through diversified portfolio management.

The phenomena is quite simple that all the small saving holders put their money in one kitty (Fund Managers) and then a kitty with a sizeable worth can afford to invest in riskier and non-riskier financial market products managing a moderate return or even higher returns from the market returns. Instead putting all eggs with a small saving in one basket and exposing to high risk of breaking all the eggs, or alternatively putting the investment at very low risk and low returns by investing in the low risk securities. Let the right person do his/her job and decide how much risk to take on bases of his/her expertise. Deprivation of the need of financial experts (sizeable funds to divest) and small savers (lack of expertise) ended up to reduce the risk and maximize the profits through mutual funds. The following sketch summaries and elaborates the matter discussed above

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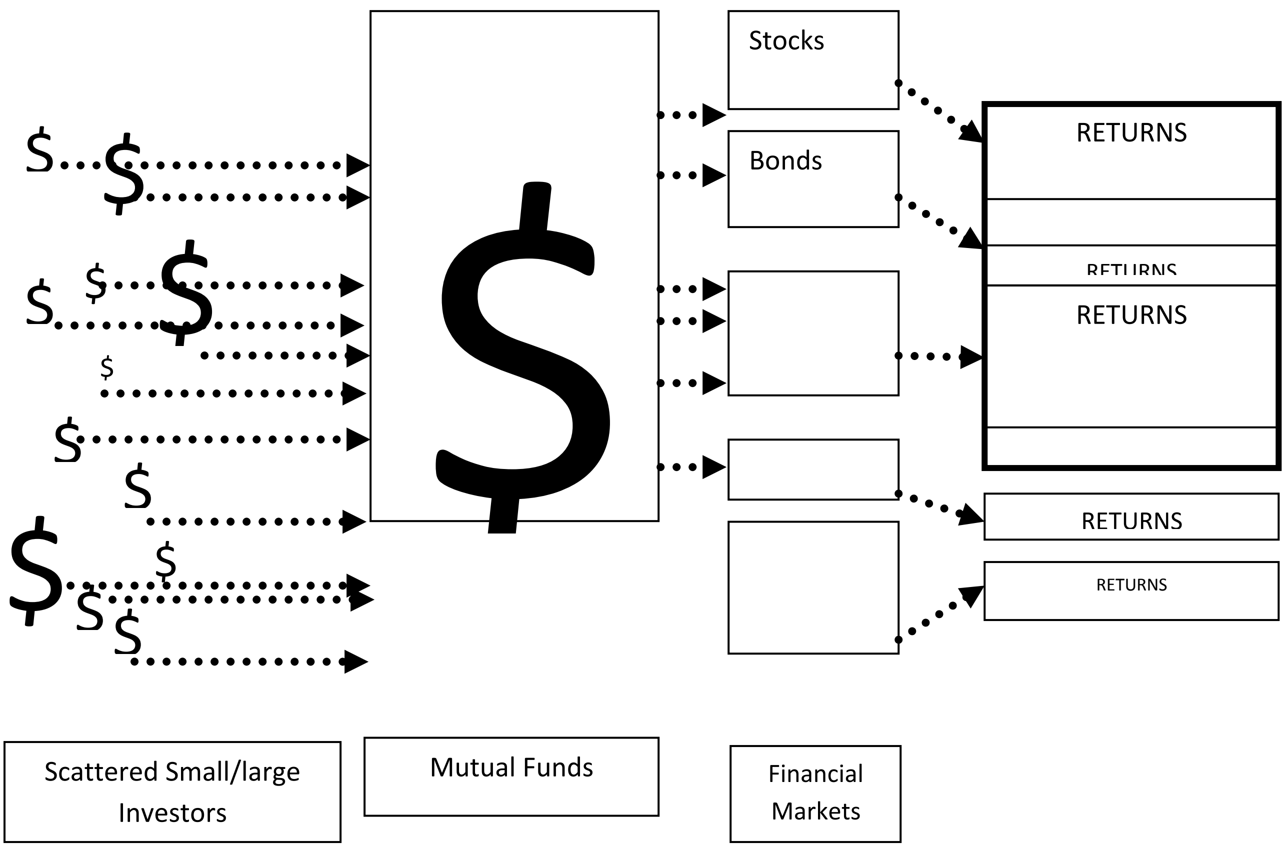

Mutual funds are categorized based upon (1) fund structure as open end and closed end funds (2) fund objective as Islamic Funds, Capital Protected Funds, Fund of Funds, Asset Allocation Funds, Equity Funds and Income Funds

The introduction of National Investment Trust (NIT) gave birth to mutual funds market in Pakistan in 1962. The second baby of this market was Investment Corporation of Pakistan (ICP), which established in 1966. Up to 2001 the overall growth of this sector was insignificant i-e there was only 2 open ended funds, 36 closed ended and 12 AMCs. After that due privatization and liberalization policy of Govt. this sector showed significant growth in first decade of this century i-e in 2010 we have in total 135 funds including 105 open ended funds and 28 AMCs.

This study will measure the performance of Pakistani mutual fund industry during last three years (2008 to 2010). As the mutual fund industry of Pakistan expanded with some pace in first decade of this century and due to this reason the performance evaluation of this industry become critical and hot topic. In this regard few efforts has been made in different time periods.

II. Literature Review

Generally mutual funds are used to bridge the gap that exists between investor and investment avenues available at the stock markets and this fact has made their performance measurement a frequently studied topic in investment circles of most countries. Prior to 1960 investors used to estimate a portfolio's outcome more or less completely on the basis of one factor i-e rate of return. The element of risk was known to them but they were not capable to enumerate the risk. In early 1960s, portfolio theory taught them the art of quantifying the risk.

Friend, Brown, Herman and Vericks (1962) were among the first one's who came up with practical study on measurement of mutual funds outcomes, however the standard tools developed to measure risk adjusted mutual funds return by Treynor (1965), Sharpe (1966) and Jensen (1968) are considered the Bible on evolution of mutual funds performance. They compared risk-adjusted returns of the mutual funds with that of a bench mark market portfolio while using CAPM. Sharpe and Jensen concluded that mutual funds are performing below par and their returns are not enough to recompense investor against different types of mutual fund charges.

Friend and Vickers (1965) concluded that generally mutual funds have not performed better than an indiscriminate portfolio.

In 1968 a new statistical gauge to measure mutual funds performance was launched. This measure estimates the impact of manager's forecasting ability on fund's return. For this purpose a study was conducted on ten years data (1955-1964) and concluded that mutual funds are providing better returns than any other investment alternative (Jensen 1968).

Investment timing and security selection were pointed out by earlier researches as a skill to assess performance of mutual funds and first time this was done in sixties. There is low positive relationship between the funds and the market portfolio in Pakistani market (Sipra, 2006) as compared to high positive relationship in case of most USA studies. It shows that, in case of Pakistan there is poor diversification and inclusion of guaranteed return securities in the portfolio of the funds (Afza and Rauf, 2009).

Johan McDonald (1974) studied the link between stated fund objectives and their risk return features and is of opinion that generally, the fund managers appears to keep their portfolios within the stated risk.

Richard A Ippolito (1989) has an argument that mutual funds generally offer better returns, but these returns are counteract by diversified expenses and load charges. Mutual funds trading costs are significantly negatively connected with return performance (Chalmers, Edelen, kadlec, 1999).

Barua, Raghunathan, and Varma (1991) assessed the performance of Master Share using Sharpe, Jensen, and Treynor's measure on data ranging from 1987 to 1991 and concluded the mutual funds perform better than the market but worse as compared to capital market line.

After studying data from 2001 to 2008; Khalid, Abbas & Shah commented that because of unpredictable environment the outcomes of closed end mutual funds in below par in Pakistani market. Shah and Hijazi (2005) commented that this sector is able to add value. By working on quarterly data of 43 open ended funds from 1999 to 2006 of Pakistani Mutual Fund market, Afzal and Rauf (2009) investigated the impact of factors like asset size, expense ratio,12B-1, load, turnover, lagged return, age and liquidity on mutual funds outcome.

Redman, Gullet, Manakyan (2000) studied international mutual funds in three different time periods and commented that adding global mutual funds to local mutual funds portfolio will increase the benefits of diversification. Doncel, Grau, Otamendi, Saina (2011) in their study of European mutual funds have challenged traditional measures of mutual funds persistence and claimed that persistence is lower or non existent. There is likely agency conflict between mutual fund investor and mutual fund companies (Chevalier, Ellison 1997)

Shah and Hijazi (2005) concluded in their research which was based on data ranging from 1997 to 2004 that Pakistani mutual fund sector has potential to grow. In present study, we will see whether this potential got capitalized or not, by measuring performance of the industry in last three years i-e 2008 to 2010

III. Hypotheses

Ho: Mutual Funds perform better against equity market performance in Pakistan.
H1: Mutual Funds do not perform better against equity market performance in Pakistan.

IV. Research Methodology

a) *The Sample*

The present mutual funds industry of Pakistan consists of 135 funds, out of these 105 are open ended funds, 21 are closed ended and 9 are pension funds. These funds are managed by 28 asset management companies. Using convenience sampling, a sample of 30 mutual funds was made for this study because all necessary information about all mutual funds is not available for whole 3 years period (2008 to 2010) of this study.

b) *Sources of Data*

The 3 years daily net asset value (NAV) of the funds in sample got downloaded for official website of trading body of mutual funds industry of Pakistan, named the mutual funds association of Pakistan. The daily returns of the funds derived from difference of daily NAVs of the fund; in turn average is used to find quarterly, yearly and overall mutual funds returns. The corresponding market's (KSE 100 index) prices got downloaded from Yahoo.com. The return of the market got extracted from differences of the market daily closing prices. The data of risk free security (t-bills) was collected from State Bank of Pakistan published statistics.

V. Methodology and Empirical Results

In this study following three yardsticks are used to measure the performance of mutual fund industry of Pakistan. (1) The Sharpe Model (2) The Treynor Model and (3) Jenson Differential measure

a) *The Sharpe Model*

William Forsyth Sharpe developed this model in 1966; it is also called reward to variability ratio. It is used to measure the excess return per unit of risk in an investment asset. The ratio of returns above the risk free returns to standard deviation is calculated; the higher the result of this ratio for the portfolio, the more the fund is suitable for investment and vice versa. Sharpe constructed following ratio, generally known as Sharpe Ratio

Sharpe Ratio = $(Rp - Rf)/ \delta p$
Rp = the average fund return;
Rf = the average risk free return
δp = the standard deviation of fund returns

This ratio reveals that how much investor remunerated against the risk taken and efficiency of fund managers that how much returns they generated and how well they diversified their portfolios. If excess returns per unit of risk of two assets are being compared, the asset with higher return/risk ratio number will be preferred over the other.

The study calculates the Sharpe ratio on daily historical returns of 30 mutual funds for 3 years period i-e 2008 to 2010. The one year treasury bills rates are used as risk-free rate. The results shown in Table 1 reveal that there is even not a single fund out of thirty sampled funds with positive returns. This phenomenon is evident of funds managers' helplessness to generator reasonable returns on funds and their incapacity to diversify in winning manner. As a whole Sharpe ratio i-e -119.32 is also less than market ratio i-e 0.0010.

Table 1

Name of Fund	Average Return 2008 - 2010	Standard deviation	Sharpe Ratio
JS Aggressive Asset Allocation	-0.0012	0.0035	-34.85
National Investment Unit Trust	-0.0009	0.0023	-52.96
Faysal Balanced Growth Fund	-0.0159	0.0548	-2.50
Faysal Income & Growth Fund	0.0001	0.0006	-220.28
Crosby Dragon Fund	-0.0002	0.0041	-29.80
Atlas Income Fund	0.0000	0.0005	-248.40
Atlas Stock Market Fund	-0.0003	0.0029	-42.61
Unit Trust of Pakistan	-0.0003	0.0019	-65.28
United Stock Advantage Fund	-0.0007	0.0038	-32.09
JS Income Fund	-0.0002	0.0007	-173.37
JS KSE 30 Index Fund	-0.0005	0.0046	-26.44
Pakistan Income Fund	0.0000	0.0003	-248.40
Pakistan Capital Market Fund	-0.0004	0.0019	-63.54
United Growth & Income Fund	-0.0001	0.0004	-302.62
United Stock Advantage Fund	-0.0007	0.0038	-32.35
Meezan Islamic Fund	0.0000	0.0035	-35.10
Dawood Money Market Fund	-0.0004	0.0025	-248.40
Alfalah GHP Value Fund	-0.0042	0.0158	-7.95
Meezan Islamic Income Fund	0.0000	0.0004	-276.66
MetroBank Pakistan Sovereign Fund (12/12)	-0.0002	0.0011	-248.40
HBL Stock Fund	-0.0018	0.0082	-14.93
HBL Income Fund	0.0000	0.0004	-282.73
HBL Multi Asset Fund	-0.0016	0.0068	-18.00
Askari Asset Allocation Fund	-0.0026	0.0056	-21.99
Askari Income Fund	-0.0001	0.0008	-158.99
IGI Income Fund	-0.0001	0.0005	-244.80
Alfalah GHP Income Multiplier Fund	-0.0001	0.0006	-189.05
United Islamic Income Fund	0.0000	0.0005	-264.84
MCB Dynamic Stock Fund	-0.0020	0.0100	-12.30
KASB Stock Market Fund	-0.0005	0.0029	-41.90
United Composite Islamic Fund	-0.0002	0.0021	-57.40

b) The Treynor Model

In contrast to Sharpe who considered total risk, Treynor considered only type of risk i-e Systematic risk. According to him the unsystematic risk is associated to a particular company and can be wiped out through diversification, and fund managers are supposed to do so. However the Systematic is associated with market and cannot be wiped out through diversification. Treynor ratio is used to measure return per unit of systematic risk. The mutual fund that provides higher return per unit of systematic risk will be favored over the other mutual funds. The systematic risk calculated through "beta". The Treynor ratio is

Treynor Ratio $=(Rp - Rf)/\beta$

Rp = the average fund return;

Rf = the average risk free return;

ß = coefficient as a measure of systematic risk.

	Table 2		
Name of Fund	**Average return of Fund 2008 - 2010**	**Beta**	**Treynor Ratio**
JS Aggressive Asset Allocation	-0.0012	0.0135	-9.07
National Investment Unit Trust	-0.0009	0.0171	-7.14
Faysal Balanced Growth Fund	-0.0159	0.5399	-0.25
Faysal Income & Growth Fund	0.0001	-0.0003	-1.00
Crosby Dragon Fund	-0.0002	0.0385	-3.16
Atlas Income Fund	0.0000	0.0058	-20.78
Atlas Stock Market Fund	-0.0003	0.0312	-3.90
Unit Trust of Pakistan	-0.0003	0.0167	-7.27
United Stock Advantage Fund	-0.0007	0.0377	-0.32
JS Income Fund	-0.0002	0.0014	-90.03
JS KSE 30 Index Fund	-0.0005	0.0446	-2.73
Pakistan Income Fund	0.0000	-0.0019	-1.00
Pakistan Capital Market Fund	-0.0004	0.0147	-8.29
United Growth & Income Fund	-0.0001	0.0029	-42.30
United Stock Advantage Fund	-0.0007	0.0370	-3.30
Meezan Islamic Fund	0.0000	0.0504	-2.41
Dawood Money Market Fund	-0.0004	0.0281	-4.34
Alfalah GHP Value Fund	-0.0042	0.1590	-0.79
Meezan Islamic Income Fund	0.0000	0.0041	-29.34
MetroBank Pakistan Sovereign Fund (12/12)	-0.0002	0.0000	-3110.30
HBL Stock Fund	-0.0018	0.1014	-1.21
HBL Income Fund	0.0000	0.0047	-25.65
HBL Multi Asset Fund	-0.0016	0.0808	-1.52
Askari Asset Allocation Fund	-0.0026	0.0054	-23.00
Askari Income Fund	-0.0001	0.0077	-15.79
IGI Income Fund	-0.0001	0.0013	-92.17
Alfalah GHP Income Multiplier Fund	-0.0001	0.0010	-116.62
United Islamic Income Fund	0.0000	0.0031	-39.00
MCB Dynamic Stock Fund	-0.0020	0.1206	-1.02
KASB Stock Market Fund	-0.0005	0.0374	-3.26
United Composite Islamic Fund	-0.0002	0.0253	-4.81

After computing the ratio of returns in excess of risk free return to systematic risk, the results are show in Table 2. The results of the Table 2 depicts that the beta of all funds is considerably below than 1, which shows defensive approach of mutual funds. The results of Sharpe and Treynor are not same, which reveals the fact that mutual funds are not fully diversified against the unsystematic risk.

c) Jenson Differential Measure

Michael Jenson come up with notion of alpha (a) in 1969, and this differential measure, which is derived from capital market theory; is used to find out abnormal returns of a security over the notional expected return. This means the difference between actual returns of a fund and the return that should have been earned by the fund in a given market conditions and risk. Jenson measure is calculated as follows

$Rp - Rf = \alpha p + ß p [Rm - Rf] + €p$

Rp = the observed returns of the portfolio;

Rf = the risk free returns;

Rm = the return on the market index; and

€p = the error term

α nd ß = are the parameters of the model.

In this study Jenson measure has been applied on three years daily returns of mutual funds and results are showed in Table 3.One third of the sampled mutual funds have negative Alpha, which means they did not manage to out perform market proxy. The rest two third sampled funds have Zero Alpha, showing that neither funds nor market proxy can out perform each other. There is not a single fund with positive Alpha. The overall Alpha is also negative i-e-0.03020

Table 3	
Name of Fund	**Alpha**
JS Aggressive Asset Allocation	-0.12
National Investment Unit Trust	-0.12
Faysal Balanced Growth Fund	-0.07
Faysal Income & Growth Fund	-0.12
Crosby Dragon Fund	-0.12
Atlas Income Fund	-0.12
Atlas Stock Market Fund	0.00
Unit Trust of Pakistan	0.00
United Stock Advantage Fund	-0.11
JS Income Fund	0.00
JS KSE 30 Index Fund	0.00
Pakistan Income Fund	-0.12
Pakistan Capital Market Fund	0.00
United Growth & Income Fund	0.00
United Stock Advantage Fund	0.00
Meezan Islamic Fund	0.00
Dawood Money Market Fund	0.00
Alfalah GHP Value Fund	0.00
Meezan Islamic Income Fund	0.00
MetroBank Pakistan Sovereign Fund (12/12)	0.00
HBL Stock Fund	0.00
HBL Income Fund	0.00
HBL Multi Asset Fund	0.00
Askari Asset Allocation Fund	0.00
IGI Income Fund	0.00
Alfalah GHP Income Multiplier Fund	0.00
United Islamic Income Fund	0.00
MCB Dynamic Stock Fund	0.00
KASB Stock Market Fund	0.00
United Composite Islamic Fund	0.00

The results of descriptive statistics are shown in Table 4; it's clear from the results that mutual funds earned a negative return of 0.1132 percent with a standard deviation of 0.00289, in comparison KSE 100 index earned a rate 0.1011 percent with a standard deviation of 0.0637 during last three years period i-e 2008 to 2010. This fact indicates the market and funds remained failed to generate reasonable returns but funds looks more helpless in this regard.

Table 4		
Descriptive Statistics		
Descriptive Summary Statistics of Mutual Funds and KSE 100 Returns from 2008 to 2010		
Description	**Mutual Funds**	**KSE 100 Index**
Mean	-0.00113	0.00101
Median	-0.00026	0.01329
Maximum	0.00009	0.09312
Minimum	-0.01586	-0.12027
Standard Deviation	0.00289	0.06371

VI. Conclusion

The paper explains the basic philosophy of mutual funds and gives an outline of Pakistani asset management industry and its performance. It evaluates the last three years performance of Pakistani mutual funds using (1) Sharpe (2) Treynor and (3) Jenson evaluation models. The asset management industry of Pakistan is still in its infancy stage and unfortunately it has to face tough macroeconomic challenges, which are affecting financial market in general and mutual funds market in particular. This fact shows the ugly picture of mutual funds performance. On the whole, the mutual fund industry could not manage to out perform the

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market alternate. The market alternate also performed poorly but slightly better than mutual funds. The one reason of mutual funds lagging behind than market is defensive investing approach of fund managers. This fact is apparent from Beta of funds which is well below than 1 in all cases. As a whole Sharpe ratio is -119.32, and this is less than market ratio of 0.0010. The excess return to systematic ratio of Treynor is also negative in all 31 sampled funds. We have also not a single positive Jenson Alpha, the results of all three measures depicts the below par performance of mutual funds. The main reasons of this poor performance are adverse macroeconomic conditions of the country, mainly terrorism, insecurity and inflation, defensive investing aptitude of fund managers, lack of giant efforts by the assets management companies and regularity authorities to promote and project mutual funds in order to build trust of investor and last but not the least is poor diversification. This sector has potential which has not been cashed so for, for future success of this industry, it's necessary to make efforts to popularize this sector among masses, so that saving can be mobilized and new avenues for investment should be explored. Convenience sampling and three years data are limitations of this study, a future study can use a better sampling technique and extended period data for its research.

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13. Have backups: When you are going to do any important thing like making research paper, you should always have backup copies of it either in your computer or in paper. This will help you to not to lose any of your important.

14. Produce good diagrams of your own: Always try to include good charts or diagrams in your paper to improve quality. Using several and unnecessary diagrams will degrade the quality of your paper by creating "hotchpotch." So always, try to make and include those diagrams, which are made by your own to improve readability and understandability of your paper.

15. Use of direct quotes: When you do research relevant to literature, history or current affairs then use of quotes become essential but if study is relevant to science then use of quotes is not preferable.

16. Use proper verb tense: Use proper verb tenses in your paper. Use past tense, to present those events that happened. Use present tense to indicate events that are going on. Use future tense to indicate future happening events. Use of improper and wrong tenses will confuse the evaluator. Avoid the sentences that are incomplete.

17. Never use online paper: If you are getting any paper on Internet, then never use it as your research paper because it might be possible that evaluator has already seen it or maybe it is outdated version.

18. **Pick a good study spot:** To do your research studies always try to pick a spot, which is quiet. Every spot is not for studies. Spot that suits you choose it and proceed further.

19. Know what you know: Always try to know, what you know by making objectives. Else, you will be confused and cannot achieve your target.

20. Use good quality grammar: Always use a good quality grammar and use words that will throw positive impact on evaluator. Use of good quality grammar does not mean to use tough words, that for each word the evaluator has to go through dictionary. Do not start sentence with a conjunction. Do not fragment sentences. Eliminate one-word sentences. Ignore passive voice. Do not ever use a big word when a diminutive one would suffice. Verbs have to be in agreement with their subjects. Prepositions are not expressions to finish sentences with. It is incorrect to ever divide an infinitive. Avoid clichés like the disease. Also, always shun irritating alliteration. Use language that is simple and straight forward. put together a neat summary.

21. Arrangement of information: Each section of the main body should start with an opening sentence and there should be a changeover at the end of the section. Give only valid and powerful arguments to your topic. You may also maintain your arguments with records.

22. Never start in last minute: Always start at right time and give enough time to research work. Leaving everything to the last minute will degrade your paper and spoil your work.

23. Multitasking in research is not good: Doing several things at the same time proves bad habit in case of research activity. Research is an area, where everything has a particular time slot. Divide your research work in parts and do particular part in particular time slot.

24. Never copy others' work: Never copy others' work and give it your name because if evaluator has seen it anywhere you will be in trouble.

25. Take proper rest and food: No matter how many hours you spend for your research activity, if you are not taking care of your health then all your efforts will be in vain. For a quality research, study is must, and this can be done by taking proper rest and food.

26. Go for seminars: Attend seminars if the topic is relevant to your research area. Utilize all your resources.

27. Refresh your mind after intervals: Try to give rest to your mind by listening to soft music or by sleeping in intervals. This will also improve your memory.

28. Make colleagues: Always try to make colleagues. No matter how sharper or intelligent you are, if you make colleagues you can have several ideas, which will be helpful for your research.

29. **Think technically:** Always think technically. If anything happens, then search its reasons, its benefits, and demerits.

30. Think and then print: When you will go to print your paper, notice that tables are not be split, headings are not detached from their descriptions, and page sequence is maintained.

31. Adding unnecessary information: Do not add unnecessary information, like, I have used MS Excel to draw graph. Do not add irrelevant and inappropriate material. These all will create superfluous. Foreign terminology and phrases are not apropos. One should NEVER take a broad view. Analogy in script is like feathers on a snake. Not at all use a large word when a very small one would be sufficient. Use words properly, regardless of how others use them. Remove quotations. Puns are for kids, not grunt readers. Amplification is a billion times of inferior quality than sarcasm.

32. Never oversimplify everything: To add material in your research paper, never go for oversimplification. This will definitely irritate the evaluator. Be more or less specific. Also too, by no means, ever use rhythmic redundancies. Contractions aren't essential and shouldn't be there used. Comparisons are as terrible as clichés. Give up ampersands and abbreviations, and so on. Remove commas, that are, not necessary. Parenthetical words however should be together with this in commas. Understatement is all the time the complete best way to put onward earth-shaking thoughts. Give a detailed literary review.

33. Report concluded results: Use concluded results. From raw data, filter the results and then conclude your studies based on measurements and observations taken. Significant figures and appropriate number of decimal places should be used. Parenthetical remarks are prohibitive. Proofread carefully at final stage. In the end give outline to your arguments. Spot out perspectives of further study of this subject. Justify your conclusion by at the bottom of them with sufficient justifications and examples.

34. After conclusion: Once you have concluded your research, the next most important step is to present your findings. Presentation is extremely important as it is the definite medium though which your research is going to be in print to the rest of the crowd. Care should be taken to categorize your thoughts well and present them in a logical and neat manner. A good quality research paper format is essential because it serves to highlight your research paper and bring to light all necessary aspects in your research.

Informal Guidelines of Research Paper Writing

Key points to remember:

- Submit all work in its final form.
- Write your paper in the form, which is presented in the guidelines using the template.
- Please note the criterion for grading the final paper by peer-reviewers.

Final Points:

A purpose of organizing a research paper is to let people to interpret your effort selectively. The journal requires the following sections, submitted in the order listed, each section to start on a new page.

The introduction will be compiled from reference matter and will reflect the design processes or outline of basis that direct you to make study. As you will carry out the process of study, the method and process section will be constructed as like that. The result segment will show related statistics in nearly sequential order and will direct the reviewers next to the similar intellectual paths throughout the data that you took to carry out your study. The discussion section will provide understanding of the data and projections as to the implication of the results. The use of good quality references all through the paper will give the effort trustworthiness by representing an alertness of prior workings.

Writing a research paper is not an easy job no matter how trouble-free the actual research or concept. Practice, excellent preparation, and controlled record keeping are the only means to make straightforward the progression.

General style:

Specific editorial column necessities for compliance of a manuscript will always take over from directions in these general guidelines.

To make a paper clear

· Adhere to recommended page limits

Mistakes to evade

- Insertion a title at the foot of a page with the subsequent text on the next page

- Separating a table/chart or figure - impound each figure/table to a single page
- Submitting a manuscript with pages out of sequence

In every sections of your document

· Use standard writing style including articles ("a", "the," etc.)

· Keep on paying attention on the research topic of the paper

· Use paragraphs to split each significant point (excluding for the abstract)

· Align the primary line of each section

· Present your points in sound order

· Use present tense to report well accepted

· Use past tense to describe specific results

· Shun familiar wording, don't address the reviewer directly, and don't use slang, slang language, or superlatives

· Shun use of extra pictures - include only those figures essential to presenting results

Title Page:

Choose a revealing title. It should be short. It should not have non-standard acronyms or abbreviations. It should not exceed two printed lines. It should include the name(s) and address (es) of all authors.

Abstract:

The summary should be two hundred words or less. It should briefly and clearly explain the key findings reported in the manuscript--must have precise statistics. It should not have abnormal acronyms or abbreviations. It should be logical in itself. Shun citing references at this point.

An abstract is a brief distinct paragraph summary of finished work or work in development. In a minute or less a reviewer can be taught the foundation behind the study, common approach to the problem, relevant results, and significant conclusions or new questions.

Write your summary when your paper is completed because how can you write the summary of anything which is not yet written? Wealth of terminology is very essential in abstract. Yet, use comprehensive sentences and do not let go readability for briefness. You can maintain it succinct by phrasing sentences so that they provide more than lone rationale. The author can at this moment go straight to shortening the outcome. Sum up the study, with the subsequent elements in any summary. Try to maintain the initial two items to no more than one ruling each.

- Reason of the study - theory, overall issue, purpose
- Fundamental goal
- To the point depiction of the research
- Consequences, including definite statistics - if the consequences are quantitative in nature, account quantitative data; results of any numerical analysis should be reported
- Significant conclusions or questions that track from the research(es)

Approach:

- Single section, and succinct
- As a outline of job done, it is always written in past tense
- A conceptual should situate on its own, and not submit to any other part of the paper such as a form or table
- Center on shortening results - bound background information to a verdict or two, if completely necessary
- What you account in an conceptual must be regular with what you reported in the manuscript
- Exact spelling, clearness of sentences and phrases, and appropriate reporting of quantities (proper units, important statistics) are just as significant in an abstract as they are anywhere else

Introduction:

The **Introduction** should "introduce" the manuscript. The reviewer should be presented with sufficient background information to be capable to comprehend and calculate the purpose of your study without having to submit to other works. The basis for the study should be offered. Give most important references but shun difficult to make a comprehensive appraisal of the topic. In the introduction, describe the problem visibly. If the problem is not acknowledged in a logical, reasonable way, the reviewer will have no attention in your result. Speak in common terms about techniques used to explain the problem, if needed, but do not present any particulars about the protocols here. Following approach can create a valuable beginning:

- Explain the value (significance) of the study
- Shield the model - why did you employ this particular system or method? What is its compensation? You strength remark on its appropriateness from a abstract point of vision as well as point out sensible reasons for using it.
- Present a justification. Status your particular theory (es) or aim(s), and describe the logic that led you to choose them.
- Very for a short time explain the tentative propose and how it skilled the declared objectives.

Approach:

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

Procedures (Methods and Materials):

This part is supposed to be the easiest to carve if you have good skills. A sound written Procedures segment allows a capable scientist to replacement your results. Present precise information about your supplies. The suppliers and clarity of reagents can be helpful bits of information. Present methods in sequential order but linked methodologies can be grouped as a segment. Be concise when relating the protocols. Attempt for the least amount of information that would permit another capable scientist to spare your outcome but be cautious that vital information is integrated. The use of subheadings is suggested and ought to be synchronized with the results section. When a technique is used that has been well described in another object, mention the specific item describing a way but draw the basic principle while stating the situation. The purpose is to text all particular resources and broad procedures, so that another person may use some or all of the methods in one more study or referee the scientific value of your work. It is not to be a step by step report of the whole thing you did, nor is a methods section a set of orders.

Materials:

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

Methods:

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

Approach:

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

What to keep away from

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

Results:

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

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

Content

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

What to stay away from

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

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

Approach

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

Figures and tables

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

Discussion:

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

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

Approach:

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

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Segment Draft and Final Research Paper: You have to strictly follow the template of research paper. If it is not done your paper may get rejected.

- The **major constraint** is that you must independently make all content, tables, graphs, and facts that are offered in the paper. You must write each part of the paper wholly on your own. The Peer-reviewers need to identify your own perceptive of the concepts in your own terms. NEVER extract straight from any foundation, and never rephrase someone else's analysis.

- Do not give permission to anyone else to "PROOFREAD" your manuscript.

- Methods to avoid Plagiarism is applied by us on every paper, if found guilty, you will be blacklisted by all of our collaborated research groups, your institution will be informed for this and strict legal actions will be taken immediately.)
- To guard yourself and others from possible illegal use please do not permit anyone right to use to your paper and files.

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Topics	Grades		
	A-B	**C-D**	**E-F**
Abstract	Clear and concise with appropriate content, Correct format. 200 words or below	Unclear summary and no specific data, Incorrect form Above 200 words	No specific data with ambiguous information Above 250 words
Introduction	Containing all background details with clear goal and appropriate details, flow specification, no grammar and spelling mistake, well organized sentence and paragraph, reference cited	Unclear and confusing data, appropriate format, grammar and spelling errors with unorganized matter	Out of place depth and content, hazy format
Methods and Procedures	Clear and to the point with well arranged paragraph, precision and accuracy of facts and figures, well organized subheads	Difficult to comprehend with embarrassed text, too much explanation but completed	Incorrect and unorganized structure with hazy meaning
Result	Well organized, Clear and specific, Correct units with precision, correct data, well structuring of paragraph, no grammar and spelling mistake	Complete and embarrassed text, difficult to comprehend	Irregular format with wrong facts and figures
Discussion	Well organized, meaningful specification, sound conclusion, logical and concise explanation, highly structured paragraph reference cited	Wordy, unclear conclusion, spurious	Conclusion is not cited, unorganized, difficult to comprehend
References	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring

INDEX

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