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Governing and managing communal land as a resource in South Africa: A case of selected communal property associations in Vhembe district, Limpopo province

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Keywords
Communal Property Associations, Governance, Land reform, Land restitution, Management

Abstract
This study investigated the governance and management of communal land resources through Communal Property Associations (CPA’s) in South Africa using the case of Vhembe district municipality in the Limpopo Province. As at the time of the study Vhembe District had 57 registered CPA’s managing the land on behalf of the beneficiary communities. The study used a qualitative research approach thereby employing a semi structured interview questionnaire to collect data from targeted respondents. A sample of 7 CPA’s were selected from a total sample of 57 CPA’s in the district in terms of geographical locations of the West (Tshivhula and Leshihoa), central (Mulambwane), east (Tshifefe and Manamohela) and the south direction (Mongalo, Machaba). A sample of respondents was between 2 and 3 per CPA which included a group interviews with Chairperson, Deputy Chairperson and Treasurer or Secretary. From the data collected the study concluded that the land managed by the CPA’s in Vhembe district faces serious challenges of poor governance, poor support from the government, poor revenue generation by farms or land given back to the community and the high maintenance costs. The study concluded that the adverse governance and management problems of land acquired by the CPA are likely to improve if proper governance principles can be enforced with government effectively monitoring the system for success.

1. Introduction
In South Africa, the CPA’s are established under the Communal Property Associations Act no. 28 of 1996. The land held by the CPA’s are obtained through the countries land reform, restitution, and redistribution programmes. Land in South Africa have been an issue of contestation for centuries with contested claims that South Africa’s 87 % of fertile land is owned by the white minority community with only 13 % of infertile land occupied by the majority of African community. A need therefore arose that land need to be distributed equally among South Africans (Centre for Law and Society, 2015:1) through the principles of a legislated land reform programme. Sebola & Tsheola (2014) have however cautioned that such distribution should take into account the economic role of land used by the white minority so that the process should not devalue the economics of land use. The redistribution of land back to the majority of African communities have been argued to be very slow in implementation with only 6 million hectares given back in 2009 at a backlog of 19 million hectares (Commission for gender Equity, 2009:67; Sebola,2014). While some land has been given back to the African community, some land does not benefit the beneficiary communities as expected by the community and the government itself. In the whole analogy of the systems of managing the land through the CPA model, it becomes clear that governance principles are not clearly adhered to. There is a whole range of governance problems that emanate from the CPA’s themselves, the community, and the government. This paper therefore raises a question: What is the good governance mechanism that can assist to improve the viability and utilisation of communal land resources (in this case farms) to benefit the local communities? In order to address this question, this paper will keep the relevance of its discussion on the conceptualisation of governance, Economic Activities of the claimed lands and Economic benefit from claimed farms, Research methodology and Results and discussions and conclusion and Recommendations.
2. Governance of communal property associations

Land use, its meaning and management in South Africa stem from many centuries of apartheid and inequity (Camay & Gordon, n.d:1-5; Department of International Development Southern Africa, 2003:1-7; Clarke, 2009; Urban Landmark, 2013:6) and therefore the problems of land management by the majority of the African people in South Africa is far from being over. The capacity and ability of land to produce massive economic benefits is depended on variety of factors which include quality, adequacy, and proper use (Mataya, Gondo & Kowero, 2003: 91-93). It is argued that the majority of African communities were not really exposed to issues of land management and use which means that the CPA’s which are extremely composed of inexperienced individuals are likely to experience problems when managing farms on behalf of their communities.

Good governance principles are currently overemphasised in any South African organisation whether public or private. Pienaar (2009) noted that ineffective land administration is a potential for economic and political disaster. In the context of South Africa because of the emerging governance principles which are hardly new to local communities there has been reported incidences of conflict between the local communities and the CPA’s and to a particular extent with the traditional leadership.

Often it is not clear as to whether CPA’s accounts to the government, the community and or traditional leadership. Such lead to complex accountability problems by the CPA and other stakeholders. The multi-accountability complex result in inefficient use of restituted land. Moreover, traditional leaders regard the land acquired through restitution to belong to them on behalf of the community. But to a particular extend the CPA’s do not see themselves as being obliged to report to the traditional leadership on CPA activities. Evans & Gariepy (2015:1) noted a conflict between Bakgatla-Ba-Kgafela in the North West Province in South Africa who took each other to the Constitutional court over who should own the acquired land. In the Eastern Cape, the government had to put a stop on allocating land because Chief Ulana was not happy that his land be put under the administration of the CPA (Center for Law and Society, 2015:2). These abnormalities are indeed a problem which has not been resolved by the government in improving the governance relation between the Chiefs and the CPA’s and including the community. As it is argued, the CPA Act of 1996 is not the best of the acts in land administration, however, for now it is the only option and must be observed with its limitations.

In its release of the CPA report 2014/2015 financial year the Department of Rural Development and Land Reform (2013:12) listed the governance challenges of the South African CPA’s to include infightings, financial misrepresentations, interdicts, and Intra-CPA litigations. These typical problems when encountered they results in the CPA’s themselves not being progressive or cause the Department of Rural Development to focus on dispute resolution than mentoring and support that should be given to the CPA and its beneficiaries. The CPA model was not adopted to devalue the land claimed but adopted to make those land more productive. It is therefore recommendable that if the model of governance does not produce desired results, a need arise that an alternative workable model become a necessity.

3. Economic activities of the claimed lands

Land claimed by African communities in South Africa offers various economic opportunities. Sebola & Tsheola (2014) noted that the South Africa’s previously disadvantaged individuals’ (blacks) only target to claim the farms that are currently economically active. Although such note is not far from the truth it correlates with the perception held that Africans have been removed from fertile land and therefore are entitled to claim the fertile land (farms) which they have been removed from. Although such claim is justifiable by any means, it only becomes a problem when the African communities (claimants) are not capable of sustaining the economic activities of the farms they inherit from the previous successful (white) farmers.

A number of farms claimed successfully by South African Communal Property Associations possess’ variety of economic activities such as Livestock farming, Field crops, Game farming, Citrus and a combination of livestock, field crops and cash crops (Department of Rural Development and Land Reform, 2013:19). It is indeed the wish of the South African government that communal land management through the CPA’s should succeed and improve the economic activities of the African communities. It has been noted that the challenges of sustaining the economic activities practiced in the farms by CPA’s is not of the making or lack of appropriate management by the CPA, but the poor intervention by the
government to assist the CPA functions. Various CPA’s farms are reported to have collapsed within the first three months of existence by failing to retain the service that was previously given by the previous owners. Many communities have inherited farms that offer services which they hardly have expertise on.

4. Economic benefit from claimed farms

On average it is difficult to conclude that there are tangible economic benefits by local communities that are derived from communal farms. A few studies reported negative development on CPA firms such as abandoned land, equipment, and economic decline of restituted farms (Aliber & Maluleke 2010; Qalam & Joshua 2012; Sebola & Tsheola, 2014). In its preamble the Reconstruction and Development Programme (RDP) states that:

*No political democracy can survive and flourish if the mass of our people remains in poverty, without land, without tangible prospects for better life. Attacking poverty and deprivation must therefore be the priority of a democratic South Africa.*

In this context it becomes clear that the African National Congress thought that only land available to the majority of the Africans can assist in reducing poverty. While poverty can be reduced by creating communal benefits such as land for agricultural use, such is likely not to be achieved if there is not a clear benefit model that explains how local communities can benefit from restituted farms. The current practice which lack a benefit model have created a situation in which the CPA leadership are themselves viewed as beneficiaries of any economic activity of communal lands. The local communities are often kept aloof from the activities of the communal farms except if they enforce their way by removing the current CPA leadership.

5. Research methodology

The study used a qualitative research approach thereby employing a semi-structured interview questionnaire to collect data from targeted respondents. A sample of 7 CPA’s participated from a total sample of 57 CPA’s in the district in terms of geographical locations of the West (Tshivhula and Leshivha), central (Mulambwane), east (Tshifefe and Manavhela) and the south (Chatleka, Mongalo and Machaba). A sample of respondents 3(three) per CPA which included a group interviews with Chairperson, Deputy Chairperson and Treasurer or Secretary. The purpose of selecting three individuals per CPA was meant to avoid biasness of information obtainable from one and two persons and improve the high rate of validity of information obtained.

The study initially targeted 11 CPA’s in the Vhembe district, however, only 7 were willing to participate. The other three could not participate as the respondents were of the opinion that there is more criticism of their work by researchers than support from published written materials. Some chairpersons and their committees were of the opinion that they need permission from their constituencies (community) in order to talk about the farm activities. But taking into consideration that this is a qualitative study which probed the perception of the CPA’s about the governance, economic activities and economic benefits of the local communities, it only came clear that the opinions of the 7 CPA’s can indeed represent the sample of 57 CPA’s in the district. This is mainly because the CPA’s being studied were in the same district, serviced by the same district and therefore have similar experiences and challenges.

6. Research findings and discussions

The research instrument used was a semi-structured interview questionnaire aimed to produce qualitative data through face to face interviews. The researchers intended to investigate the nature of governance of communal farms governed by the CPA’s, the type of economic activities practiced in the farm and the extent at which beneficiary communities’ benefit from the farms under study. The study was conducted in a period of two weeks and included intensive interviews with the respondents. In total a sample of 24 leadership members of the CPA in Vhembe district were interviewed for purpose of obtaining the information required about governance, economic activities, and community benefit. Data collected is presented hereunder as follows:

6.1 Governance of Communal Property Associations

The South African government put more emphasis on principles of good governance characterised by transparent management of communal affairs. In probing governance, the following information
received attention, i.e. the composition of the CPA membership, availability of the constitution, Election and term of office for CPA leadership, Accountability to the community and understanding of the role of government in the CPA activities.

6.1.1 The composition of the CPA’s membership
Communal Property Associations are composed of various families that have once stayed together as a community and not necessarily sharing a surname or clan relation. Some CPA’s in South Africa have about 500 families which makes the governance incredibly difficult (Sebola, 2018). In this instance responses from Vhembe district shows that family composition in the Vhembe CPA’s ranges between 10 and 45. The most CPA’s with many family compositions are the Tshivhula and the Leshivha CPA. It may seem the least are the Mongalo and the Machaba CPA where the CPA’s predominantly have members of a common surname. It may be argued that the more the CPA has more families there more conflicts arises when families are fighting for authority and recognition to overpower the other families. It is notable from this that the CPA’s have been lodged and registered in the names of superior families i.e. Tshivhula, Leshivha, Mulambwane, Manavhela, Mongalo, Chatleka and Machaba while family members attached to these families were used to verify claims lodged by superior families. As such other families attached to these communities are not the equals of those who claims were registered in their names.

6.1.2 Availability of the Constitution
The availability of the Constitution is an indication that CPA’s activities are conducted in an orderly and professional manner. At the most all interviewees indicated that their CPA’s have Constitutions and are operating on constitutional basis. They do however all mentioned that they have not drafted any of the constitutions that they are using to run their CPA’s. They indicated that all the constitutions applied were provided for by the government drafted by a consultant employed by the government. An interviewee from the Tshivhula CPA said “The government provides a model constitution, and we adopted it because it covers all aspects which the government expect us to do in the management of the CPA’s”. It can therefore be deduced from this that the CPA constitution is merely used as a compliant tool which serves the interests of the government than the communities concerned.

6.1.3 Election and term of office of CPA executives
Good governance is visible and successful when democratic principles are adhered to through accountability measures. Generally, interviewees on this aspect provide information which differs from individual CPA’s to the other. Indeed, all interviewees mentioned that elections are held through a general meeting to elect the new CPA executive. The information provided thus create an opinion that all CPA’s existing in Vhembe were put through a democratic system agreed by beneficiary communities. Different terms of office for office bearers is however observed as a practice. Some CPA’s indicated that the term of office for their CPA executives is 3 years while others said elections are held after 5 years. Considering the assumption that they are operating on a model constitution drafted by the government, then the term of office should be consistent and similar. Even though such constitutional prescripts seem to exist, arguments do however exist that terms of office other CPA’s in Vhembe district show executives long stay characteristics in office. General meetings are normally called by the CPA’s for election of new executives, however the results in conflict which compels the existing structures to stay in power.

6.1.4 Accountability to the community
The South African CPA’s are legally expected to account to both the government (Department of Rural Development and Land Reform) and to the beneficiary communities. The CPA’s hold ownership of communal farms on behalf of both the government and the people who elected them to office. The responses from the interviewees about accountability show different viewpoints. The period of accountability to beneficiary communities ranges from a month to three months. On top of that other interviewees argues that meetings can be held regularly for accountability as long as emergency issues for discussion are brought forward. In terms of accountability to government most of the CPA’s reported that they account annually to the Department of Land Affairs. An interviewee from the Tshivhula CPA however said that “Indeed the Department of Rural Development and Land Reform requires financial reports on monthly basis”. Only one CPA indicated that no report was ever submitted by them to the Department of
Rural Development and Land Reform. This could be because some CPA leadership within the Vhembe district are of the opinion that sometimes the department itself does not show interests on submitted financial reports from CPA’s. It can be deduced from the interviewees that though the government requires such reports, the CPA’s are not convinced that an analysis is done by the government to show interest in improving the status quo of farms owned. Reports submitted only fulfils the required compliance procedures.

6.1.5 Understanding of the role of government in the CPA activities.

There are at least three government departments involved in restituted land issues in South Africa. Such is the Department of Agriculture, Limpopo Department of Environment and Tourism (LEDET) and Department of Rural Development and Land Reform. These three departments have different role with regard to restituted land. The understanding by the CPA’s on how to interact with these departments is significant for survival of CPA’s activities in the district. Almost all CPA’s in Vhembe knows the role of government through departments of Agriculture, Limpopo Department of Environment and Tourism and Department of Rural Development and Land Reform. The role of those departments is mentioned in terms of assistance in workshops and training, Financing, and skills transfer, monitoring and dispute resolutions. Only two CPA’s in Vhembe were of the opinion that government’s role in assisting the CPA is pathetic. The majority felt that the assistance is satisfactory. The role of government is viewed subjectively depending on the type of farm acquired. Most of the respondents whose farming activities are game, and tourism are of the opinion that the Department of Agriculture is not useful to their farms because it only assists those farms that farm on livestock and crop farming. Those in game and tourism farms are to be assisted by the Limpopo Department of Environment and Tourism. The Department of Rural Development and Land Reform however viewed on a positive note by interviewees, some respondents argue that it only buys land for beneficiary communities and later do not provide support. Their role at the end on the day is to hand the farm to the beneficiary communities. It can be deduced that the role of LEDET in farms is slightly not known by the beneficiary communities. The complex role of the Department of Agriculture and the Department of Rural Development and Land Reform in the CPA farms is not well understood.

6.2. The Nature of economic activities on restituted farms

Farmland has a variety of economic activities for practicing agricultural activities. Every farm available for use is likely to have certain economic potential which differs from one to the other. The Leadership of the CPA’s in Vhembe district were required to provide information on the type of economic activities taking place on their farms. In establishing such, the researchers wanted to know the number of farms acquired, which are the actual economic activities on the farm, which are the most competitive and whether the government support such activities.

6.2.1 Number of farms acquired by the CPA

In total the CPA’s surveyed in Vhembe district have a total allocation of 40 farms with differing hectares. Mulambwane has the greatest number of about 13 farms successfully acquired through land claim. On average other CPA’s have a number of farms ranging from three to a maximum of six. The number of acquisitions is likely to increase as time passes by as claims are still under process. The more the farms are acquired by the beneficiary communities the more various economic activities should be practiced. However, in this case it has shown that the more farms acquired the more managerial complications and conflicts arose among beneficiary members.

6.2.2 What are actual economic activities on the farm?

Farms in Vhembe like in all other areas have differing economic potentials. The CPA leadership in the Vhembe district showed that the actual farming activities on the farms are predominantly game farming, lodging, and crop farming. Only two CPA leadership have listed livestock farming and broiler production as economic activities on their farming. Only few farms are said to have sustained the economic activities found in place.
6.2.3 Which are the most competitive economic activities on the farm?

Not all economic activities on the farms have potential to generate revenue for sustaining the land. On average the competitive advantage for economic activities differs on individual farms. The majority of interviewees view game and tourism as twin economic activities for sustaining farm activities within the Vhembe district. Although there are other interviewees that view crop farming and livestock as having the potential, but they also noted that crop farming need expertise which are often not available within the beneficiary communities. Livestock and crop farming are risky for small farmers who are not sufficiently supported by government. To succeed areas such as Vhembe requires that farmers are able to afford livestock feeds and crop fertilizers. Numerous farms successfully claimed in Vhembe district are located within drought areas where rainfall is very scarce thereby threatening both the potential for livestock and crop farming to succeed.

6.2.4 The government support of economic activities on restituted farms

The South African government promised to resolve poverty through access to land and promised support in general manner (Sebola, 2018). The support was construed to mean financial support for developmental activities by many South Africans. The Government is however morally obliged to provide support to the communities’ economic activities so as to ensure sustainability of farm activities. The majority of the CPA’s surveyed in the Vhembe district are of the opinion that the South African government does not sufficiently support the economic activities of their farms. The interviewees, however, acknowledges the provision of the Development grant and the Recapitalisation fund by government as not sufficient to run the activities of the farms. The few that are of the opinion that the governments support is not sufficient argues that not all the CPA’s receives the Development grant and Recapitalisation fund on time, and moreover when the money is received a year or two later it is not as promised and has to be used for backlog payment which is not even sufficient. It can be deduced from this that what the beneficiary communities want is to have the government taking full responsibility of the maintenance of their farms. The perception shows that the majority of the beneficiary communities are far from understanding the responsibility to run the farm on their own.

6.3 The benefits of community from the restituted farms.

Typically, South African Communal Property Associations faces challenges such as lack of resources, incentives to comply with administrative requirements and limited sanctions for those who fails to comply (Vumela Advisory Fund, 2013:1). This ultimately results in various conflicts among the beneficiary communities that would accuse each other of theft of communal funds by the CPA management. The restituted farms are expected to benefit the beneficiary communities. In trying to establish that on Vhembe district CPA farms the researchers probed the nature of employment opportunities on the farms, number of employees employed in the farms, whether employees are from beneficiary communities, how employees are recruited and whether a farm generate sufficient revenue.

6.3.1 The nature of employment opportunities on the farms

The nature of employment activity on the farms at Vhembe differ from one CPA to the other because of differing economic potential in each of the claimed farms. The majority of the interviewees named only one category of employee opportunity that exist in their farms. They mostly talk of the unskilled category though they say only “labourer” employment opportunity exists on their farms. By “labourer” they mean anything that is not categorised as a professional employment. They mentioned opportunities such as general workers, cleaners, looking after the cattle and working in the field. It is only the Tshivhula CPA that indicated that on top of the general labour employee pool they also seasonally employ professional hunters, trackers, Taxidermies, and chefs only and when time provide space for such opportunity. It therefore be deduced that the majority of claimed farms in Vhembe district provides employment opportunity which only offers lower wages.

6.3.2 Number of employees employed in the restituted farms

The CPA farms in the Vhembe district differs in size and quantities. There are CPA’s that have many farms and those that have lesser farms. The size and quantity may determine the quantity of employees a CPA farm may absorb for employment. According to the interviewees (CPA leadership) in
the Vhembe District their farms employ between 4 and 20 employees on average. On average many farms in the district employ more than 10 employees. The least employees in the farms are by Chatleka CPA with only 4 employees, while the highest is Manavhela CPA with 20 employees. The employee benefit on this also differs from one farm to the other. From the Mulambwane it is argued that employees there are serving voluntary and they are not any wages from the CPA. In the Tshivhula CPA all 16 employees are paid full wages on monthly basis and therefore they are not volunteers. From this it can be deduced that employees in the CPA’s of Vhembe district benefit differently from their employers.

6.3.3 Are employees in the CPA farms from beneficiary communities?

One of the sensitivities about communal lands is when the CPA ignores the beneficiaries that have skills to serve their own community. As the Tshivhula CPA indicated about the use of professional hunters which are predominantly white people some may ask as to whether they have explored among their beneficiary as whether there are really no professional hunters among the beneficiary communities. From the interviewees of the CPA in Vhembe district the majority are of the opinion that the beneficiary employees are afforded the opportunity to work in the farms with the previous employees that were found on the farm who are not necessarily from beneficiary community. Of the 12 employees at the Leshivha CPA farm, 4 of them were found on the farm and do not belong to the beneficiary community. The Tshivhula CPA also retained the employees that they found on the farms who are not necessarily from the beneficiary community. Only one CPA (Chatleka) mentioned that they do not employ people from beneficiary communities.

6.3.4 How are employees recruited to the CPA farms?

Employee recruitment to serve in CPA farms often cause conflict among beneficiary communities. Despite a need of good governance that the CPA management have to be open and transparent about recruitment process which should ensure equity of benefit to the overall majority, some CPA’s may not conform. A general agreement from the majority interviewed is that the vacant positions are made known through word of mouth. The word of mouth is often done through the tribal gathering where interested employees will avail themselves to the CPA for selection. This practice is transparent only to the effect that the majority of the beneficiary community will know about it. The only limitation is that still the CPA executive will make a decision in a manner that might not be transparent. In the case of the Tshivhula CPA because of the scattered beneficiaries the coordinators of the regions will make the availability of the positions known to their constituencies who will in turn inform the coordinator of their interests to the position advertised. Only few interviewees view the employment and recruitment as very flawed especially when ordinary beneficiary have to compete with beneficiaries from the royal families. The royal families often have a major influence on who should be appointed to work in CPA farms.

6.3.5 Does the farms generate sufficient revenue?

The sustainability of farm activities broadly depends on the farms capability to generate revenue and sustain the service and employment of the beneficiary communities. Several farms in Limpopo were reported to have failed to sustain themselves after been taken by the CPA’s (Sebola & Tsheola, 2014). It is argued that CPA farms are likely to generate revenue for distribution to families after a long time in which patience is important from beneficiary members. The current beneficiary communities are impatient and by the time the farms are able to generate revenue most would have despaired and leave the farm. Almost information from the entire interviewees except the Tshivhula CPA said that nothing is generated from their CPA farms. They argue that there is no revenue collection of any type at all. The Tshivhula CPA argues that they are able to generate revenue that is sufficient to run all farm activities. The proceeds are not too much but are sufficient to run the farm and pay employees.

7. Conclusion

This paper investigated the governance, economic activities of CPA farms and the benefits of the beneficiary communities from the farming activities in the Vhembe district. What clearly came out of this paper is firstly, that the CPA leaderships in the Vhembe district are quite aware of the governance practices required of them by the government of South Africa. It is clear that they adhere to the constitution adopted; they hold meetings as per need and that they account to both their people and the
government and; that they are of the opinion that the government departments are not doing enough to support their farming activities. Secondly, All CPA’s in the district owns more than four farms which unfortunately offers various economic activities which many locals lack skills i.e. game, lodging, and crop farming. The competitive running of these activities by the locals is often problematic. The general perception therefore is that economic activities on the surveyed farms are not successful. Finally, the CPA farms are generally not providing sufficient benefits to beneficiary families in terms of employment or revenue sharing. To the overall interviewees the farms are generating no income and therefore cannot benefit the communities listed as beneficiaries. From this it is therefore recommendable that the government of South Africa through its relevant departments revisits the model of supporting CPA’s activities. Financial support and continuous monitoring of the CPA activities will assist to create confidence for CPA executives in performing their functions. The role of the Department of Agriculture in the CPA farm management should be revisited. The fact that the Department of Agriculture only supports crop farming and livestock framing is discriminative against other farmers who are engaged in a different agriculture such as game farming.

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An analytical study of the determinants of foreign investment in Saudi Arabia "Saudi Vision 2030"

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Keywords

Abstract
Attracting foreign direct investment (FDI) is considered one of the main challenges faced by economies. It is also one of the main factors that help develop the national economy since it contributes to increasing GDP growth rates in the host country, developing technical staff, creating jobs, transferring modern technology, and supporting competitive capacities. According to the Saudi Vision 2030, the ratio of FDI to GDP will be increased from 3.8% to the global average of 5.7%. The research problem is that there is a gap between the extent of current and hoped-for FDI. The research paper will discuss the following objectives: Exploring the current investment environment in KSA, shedding light on current legislations that are attractive for investment, identifying the most important determinants of investment in KSA, and testing the relationship between FDI inflows and economic factors affecting them.

The statistical descriptive analysis method was adopted, and a standard model was analyzed using the E-Views program. Secondary data were collected from the General Organization for Statistics, World Bank publications, and the UNCTAD database. The research hypotheses related to the existence of a significant relationship between the volume of FDI with GDP and the current investment laws were tested. In conclusion, the most important determinants of investment in KSA which have an impact are GDP growth rate, domestic investments, and natural gas reserves. Furthermore, there is an inverse relationship between government expenditure and inflation rate on the volume of FDI, which negatively affects the deficit of the state budget and the productive efficiency of different sectors. Also, the researchers have been recommended that there is a need to prepare the current investment environment to increase the attraction of FDI in KSA in order to achieve the Saudi Vision 2030 by increasing and diversifying GDP, developing programs to support local investment, reducing the government expenditure and the inflation rate, developing controls obliging foreign companies to transfer technology, train labor, and develop controls to take into account the cleanliness of the environment in the activities of FDI in the country.

Introduction
Attracting foreign direct investment (FDI) has become one of the main challenges faced by all economies.

There is no doubt that the Kingdom of Saudi Arabia is no different from the rest of the world in terms of its need for FDI. This is evident in the Saudi Vision 2030, announced in April 2016, which is based on three main axes, namely a vibrant society, a prosperous economy, and an ambitious homeland. The focus in the second axis is on the prosperous economy by creating opportunities for all through developing investment instruments to unleash the potential of economic sectors.

Research Problem
The research problem is the existence of a gap between current FDI and the hoped-for FDI in accordance with the Saudi Vision 2030. The research paper will consist of the following research questions:

1. To what extent does the current investment environment contribute to attracting foreign direct investment (FDI) to the Kingdom?
2. To what extent do current investment laws and legislations contribute to attracting foreign
investment? What is hoped for?

3. What are the most important determinants of investment in Saudi Arabia?

Research Significance

Foreign investment contributes mainly to establishing industrial cities and is highly emphasized by the Saudi Vision 2030. The significance of this research is clear because of the scarcity of studies on the field of foreign investment in Saudi Arabia, its determinants, and ways to attract it.

Research Objectives

The strategy of the Kingdom of Saudi Arabia Vision 2030 aims to increase the ratio of foreign direct investment in GDP from 3.8% to the global average of 5.7%. In order to meet this objective, the Kingdom seeks to develop strategies to prepare the internal investment environment to achieve the target rate. The research paper aims to achieve the following objectives:

1. Explore the current investment environment in the Kingdom of Saudi Arabia.
2. Focus on the current legislations that are attractive to investment.
3. Identify the most important determinants of investment in Saudi Arabia.
4. Test the statistical relationship between the flow of foreign direct investment and some of the economic factors affecting it.

Research Hypotheses

1. There is a statistically significant relationship between the volume of foreign direct investment and the volume of GDP.
2. There is a statistically significant relationship between increasing the volume of foreign direct investment and the current investment laws and legislations.
3. There is a statistically significant relationship between the volume of foreign direct investment and domestic investment, inflation rate, GDP growth rate, government expenditure, exchange rate, natural gas reserves, and the legislations and laws relating to foreign investment.

Research Methodology

The statistical descriptive analysis method was adopted to study the most important determinants of FDI in Saudi Arabia in accordance with the Saudi Vision 2030. A standard model was used and analyzed by the E-Views program. Secondary data were collected from the General Organization for Statistics, World Bank publications, the publications of the Secretariat General of the Gulf Cooperation Council (Department of Economic Affairs), and the UNCTAD database.

The equation can be formulated as follows:

\[
\ln Y_t = b_1 \ln x_{1t} + b_2 \ln x_{2t} + b_3 \ln x_{3t} + b_4 \ln x_{4t} + b_5 \ln x_{5t} + b_6 \ln x_{6t} + b_7 D_{1t} + \mu_t
\]

Research Structure

The research consists of two sections:

Section I: The descriptive approach is used to review some of the components of foreign direct investment by analyzing its place in the previous literature.

Section 2: The standardized approach is used to evaluate the determinants of investment affecting foreign direct investment in the Kingdom of Saudi Arabia over the period 2000-2017.

Theoretical Framework

First: Literature Review (previous studies)

- Amin (2018) study examined the joint integration between the rates of inflation and foreign direct investment in Algeria over the period 1990-2016 using the Autoregressive Distributed Method ARDL. The study showed that there is a relationship between inflation rates and foreign direct investment.

- Kaloul (2017) study dealt with the attractiveness of Arab countries to foreign direct investment as a diagnostic study according to the index of the determinants of investment. It also recommended that decision makers and policy makers should periodically review the attractiveness of their countries, focusing on the strengths of each country and reducing weaknesses in order to ensure the continuous development of the environment and the determinants of investment.
- Fawzi (2015) study dealt with the competition between both developed and developing countries in order to attract the largest foreign direct investments. The study found that one of the most important advantages of FDI is the transfer of technology and the improvement of the efficiency of the use of human resources and the resources of the host country. The study also pointed out that interest rate reduction and the competition of non-banking financial institutions are among the most important factors driving short-term capital flows, which in turn leads to the formation of large foreign exchange reserves.

- Aljbory (2016) pointed out that the relationship between the investment environment and foreign direct investment is one of the planning methods that can help identify the main sectors attracting investment in order to achieve future goals to develop future strategies. The analytical model showed that the balance of payments and the exchange rate had no role, and so they were excluded from the model. Thus, the rate of GDP growth and inflation rates are the economic factors that affect attracting investments. But they are not at the required level because there are random variables that have a significant impact on repelling investments, including the political and security factors which were not included in the model, yet they are factors that repel foreign investment in Iraq. Despite the presence of natural and human resources, which are considered a positive indicator for attracting foreign investment, they are linked to security and political stability.

- Al-Madadha (2012) study aimed to investigate the interrelated effect of investments by analyzing the relationship between variables. The vector auto-regression model (VAR) was applied. It included two models. One model showed the relationship between GDP variables, FDI, and domestic investment, while the other showed the relationship between FDI and domestic investment.

- Haji and Najeeb (2010) study found that low inflation rates are of great importance in attracting many foreign direct investments. The quantitative analysis of all the countries in the sample proved that the relationship between privatization and FDI is proportional. It was revealed that the sign and the size of the parameter are negative. This does not mean that Poland did not attract foreign direct investment, but rather as a result of the use of privatization programs in the form of a comprehensive strategy. The study also proved that there is a positive relationship between technical developments and attracting more foreign capital benefiting the host country. The successful implementation of privatization programs leads to increased confidence in the soundness of economic reform, especially with respect to restructuring the productive sectors. This results in the increased acceleration of growth rates of the national economy. Using (R2), the researcher proved that privatization has a positive effect on attracting FDI.

- Demirhan and Masca (2008) study examined foreign investment in a group of developing countries as a dependent variable, while the independent variable included GDP per capita growth rate, inflation rate, labor cost per worker, degree of openness, and tax rate. The results of the study showed that the rate of inflation and the tax rate constitute a negative sign that is statistically significant.

- Omar (2007) study aimed at measuring the factors of foreign direct investment and analyzing those factors, especially the exports in a number of Arab countries. The study dealt with a number of economic variables, such as gross national product GNP, exports, inflation, government expenditure, and savings. The researcher used the quantitative method in the analysis. The study concluded that both the size of the market and the estimated export rate have a significant effect on foreign direct investment in most Arab countries, especially oil. The study also found out that the percentage of domestic saving to GNP is positive.

Summary of Previous Studies

In the previous studies, we note that they agreed on the fact that the rate of inflation has a negative impact on foreign direct investment, and that the reduction of the interest rate and competition of non-banking financial institutions are the most important factors driving short-term capital flows, leading to the formation of large foreign reserves. The most important advantages of foreign direct investment are the transfer of technology and the improved efficiency of the use of human resources and the resources of the host country. The negative effects include the impact on the balance of payments and the structure of the domestic market. The growth rate of GDP and the ratio of domestic savings to the gross national product are considered among the most important economic factors affecting the attraction of investments, in addition to the political and security factors.
The previous studies also found a competitive relationship between foreign direct investment and domestic investment in the short term. The relationship between them develops to a positive complementary relationship in the long term. A positive relationship has also been established between technical developments and the attraction of more foreign capital benefiting the host country.

Second: Exploring the current investment environment in the Kingdom of Saudi Arabia

Definition of Foreign Direct Investment (FDI)

According to the International Monetary Fund, foreign investment is defined as "the kind of international investment that reflects the aim of obtaining a lasting interest by a resident entity of one economy (direct investor) in an enterprise that is resident in another economy (the direct investment enterprise). This "lasting interest" implies the existence of a long-term relationship between the direct investor and the direct investment enterprise.

Characteristics of FDI

FDI is considered a productive investment as a result of its optimal utilization of resources. It is also considered a means of creating jobs. According to the preliminary data of the Saudi Arabian Monetary Agency (2018), it is noted that foreign investments in the KSA increased by the end of the first quarter of 2018 to 1.494 trillion riyals, i.e., an annual increase of 12%, equivalent to 159.43 billion riyals compared with the corresponding period in 2017.

The current investment environment in Saudi Arabia and the factors attracting foreign direct investment

The Saudi economy has a competitive environment for all economic activities, with an average annual growth rate of 4% over the last seven years. The Kingdom accounts for 25% of the Arab GDP and possesses the largest oil reserves. In addition, there are no restrictions imposed on foreign exchange, foreign transfer, and the transfer of capital and profits abroad. Saudi Arabia ranks 23rd among the 25 largest economies in the world and ranks first in the Middle East and North Africa. It also ranks 11th among 181 countries in the world index in terms of ease of doing business according to the World Bank's International Finance Corporation (IFC) Doing Business 2010 Report.

The most important factors characterizing the current investment environment of the Kingdom of Saudi Arabia which attract foreign investment include:

First: Announcing the Saudi Vision 2030 to diversify and expand the competitive capacities of the economy by setting specific targets to consolidate efforts and implement clear investment programs for 3 years through 12 programs.

Second: The Kingdom has an integrated infrastructure and a strategic location linking three continents with the largest port on the Red Sea, accounting for 80% of the maritime traffic.

Third: Providing opportunities to acquire real estate at competitive prices.

Fourth: The Kingdom is characterized by a young and skilled workforce, with a population of 32.5 million, about 50% of whom are youth. The Saudi workforce stands at about 5.7 million.

Fifth: The availability of a leading financial sector with a stable monetary system and a good banking sector. As per the Capital Market Authority (CMA), the Kingdom has the largest capital market in the Middle East and North Africa.

Third: Current legislation attractive to investment in Saudi Arabia and what they are hoped to achieve

The Saudi government has granted tax concessions to a number of less developed regions in the Kingdom to attract more investments. The tax concessions will be for ten years from the date of the beginning of any project. The tax incentives include the following advantages (Investment Highlights: A special report by SAGIA – Summer 2019):

• 50% discount on the annual training costs for Saudi labor and the annual wages paid to Saudis.

• Additional discounts are granted if the capital invested exceeds SAR 1 million and if more than five Saudi nationals are employed for a minimum of one year in jobs of a technical or administrative nature.

The Kingdom aspires to achieve a number of global advanced positions in the coming years in the field of investment competitiveness.
Fourth: The most important determinants of investment in Saudi Arabia

The determinants are defined as the overall conditions or economic, political, social, and procedural conditions that may affect the chances of success of an investment project in a particular country.

Determinants are considered mandatory for attracting foreign investment. They can be divided into two main determinants:

1. Political stability: The political stability in the host country is an indispensable prerequisite for investment.
2. Economic stability: The economic stability implies achieving a set of macroeconomic balances and providing appropriate opportunities for the success of the investment.

The analytical study

In order to measure the relationship between foreign direct investment and the economic growth rate, a standard model was created to analyze the long-term relationship between the development of foreign investment activity and the growth rate in Saudi Arabia. The model was based on the theory of co-integration, which was presented and statistically proved by Engel and Granger (1987). The study model is presented in the following equation:

\[
\ln Y_t = b_1 \ln x_{4t} + b_2 \ln x_{2t} + b_3 \ln x_{3t} + b_4 \ln x_{4t} + b_5 \ln x_{5t} + b_6 \ln x_{6t} + b_7 D_{1t} + \mu_t \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots (1)
\]

Where:
- \( Y_t \): FDI flows during the study period (2000-2017).
- \( x_{1t} \): GDP growth rate during the study period at constant prices.
- \( x_{2t} \): Domestic investment, which is measured by gross fixed capital formation to GDP during the study period.
- \( x_{3t} \): Inflation rate during the study period.
- \( x_{4t} \): Government expenditure during the study period.
- \( x_{5t} \): Natural gas reserves during the study period.
- \( x_{6t} \): Exchange rate during the study period.
- \( D_{1t} \): A dummy variable of the impact of new laws and regulations, such as the implementation of the sales tax and incentives for encouraging FDI since 2010 in the Kingdom. This variable is zero during the period 2000-2009 and takes the value of 1 during the period 2000-2017.
- \( \mu_t \): Represents the random error element

The method of measuring the relationships of the co-integration between the variables according to the methodology of Engel and Granger (Engle & Granger 1987) is based on processing data and the
stationary test of time series. The logarithm of the data was calculated in order to reduce the abnormal values within the data and variables of the study. After that, the tests of the root unit test and the Philp-Perron test were carried out to test the stationarity of the time series of the variables used in the study. The results that were obtained are shown in the following model:

Table (1): The effect of the economic variables under study on foreign investment in the Kingdom of Saudi Arabia during the period 2000-2017.

<table>
<thead>
<tr>
<th>Dependent Variable: Direct Foreign Investment</th>
<th>B</th>
<th>Std</th>
<th>T-value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.0722</td>
<td>0.062</td>
<td>2.66</td>
<td>0.023</td>
</tr>
<tr>
<td>GDP Growth rate</td>
<td>0.0125</td>
<td>0.007</td>
<td>5.13</td>
<td>0.001</td>
</tr>
<tr>
<td>Domestic investment</td>
<td>0.059</td>
<td>0.046</td>
<td>2.98</td>
<td>0.003</td>
</tr>
<tr>
<td>Inflation rate</td>
<td>0.061</td>
<td>0.051</td>
<td>-3.17</td>
<td>0.001</td>
</tr>
<tr>
<td>Government expenditure</td>
<td>0.014</td>
<td>0.011</td>
<td>-6.11</td>
<td>0.000</td>
</tr>
<tr>
<td>Natural gas reserves</td>
<td>0.075</td>
<td>0.058</td>
<td>2.74</td>
<td>0.026</td>
</tr>
<tr>
<td>Exchange rate</td>
<td>12.115</td>
<td>2.17</td>
<td>5.69</td>
<td>0.019</td>
</tr>
<tr>
<td>Foreign investment legislations and laws related to foreign investment (dummy variable)</td>
<td>0.152</td>
<td>0.094</td>
<td>3.01</td>
<td>0.018</td>
</tr>
<tr>
<td>R² value</td>
<td>0.89</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R² value</td>
<td>0.84</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D.W</td>
<td>1.52</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Results of data analysis on E-Views

Results and discussions
The values of the model parameters and their signs indicate that some of the variables used in the model showed the anticipated trends based on the economic theory, while others showed different trends compared with what was expected. This can be illustrated as follows:

1. Table (1) shows a statistically significant relationship between the growth rate of GDP (X₁) and the volume of foreign direct investment in the Kingdom. It is clear from the positive signs of the estimated parameter of the variable that there is a direct relationship between them. This can be explained by when GDP growth increase by one unit, the volume of foreign investment will increase by 0.0125 unit. This result is consistent with the results of previous economic literature. Increasing GDP drives economic development and diversifies the production base. This is what the Saudi 2030 Vision aims to achieve.

2. Table (1) also shows a statistically significant relationship between the local investment, which is measured by the ratio of gross fixed capital formation to gross domestic product (X₂), and the volume of foreign direct investment in the Kingdom. This can be explained by when domestic investment increase by one unit, the volume of foreign investment will increase by 0.059 unit. This indicates that more domestic investment, represented in increasing the accumulation of fixed capital results, leads to more infrastructures that are needed to increase production and thus increase employment and reduce unemployment. This in turn is reflected in the increase in the average per capita income, which encourages the foreign investor to increase his investments and projects inside the Kingdom.

3. Table (1) indicates that there is a statistically significant relationship between the inflation rate (X₃) and the volume of foreign direct investment in the Kingdom. The negative sign of the inflation rate (X₃) is consistent with the economic theory, as it indicates that there is an inverse relationship between the inflation rate and the volume of foreign direct investment. This makes foreign investors reluctant to increase their investments inside the country. As for the magnitude of the impact, the increase in inflation by one unit leads to the reduction of FDI by about 0.061 unit.

4. Table (1) also shows a statistically significant inverse relationship between the net government expenditure and the volume of FDI in the Kingdom. According to economic theory, further government expenditure (X₄), which indicates a budget deficit, is expected to reduce FDI in the economy. The value of the parameter indicates that increasing government expenditure by one unit leads to reducing FDI by about 0.014 unit.

5. Table (1) shows a statistically significant relationship between natural gas reserves and the
volume of foreign direct investment in the Kingdom. The positive sign \( (X_5) \) is consistent with the economic theory, which indicates that there is a direct relationship between natural gas reserves and the volume of foreign direct investment. As for the magnitude of the impact, the increase in natural gas reserves by one unit leads to an increase in FDI by about 0.075 unit.

6. Table (1) emphasizes the existence of a statistically insignificant relationship between the exchange rate \( (X_6) \) and the volume of foreign direct investment in the Kingdom. The stability of the Saudi riyal exchange rate against the dollar is a two-way determinant, as this may be reassuring to the investor to consummate commercial transactions.

7. Using a dummy variable reflecting the legislations and laws related to foreign investment \( (D_1) \), the positive sign refers to the expected direct relations between the variable under study and the volume of foreign direct investment in the Kingdom through the strategies included in the Saudi 2030 Vision to attract foreign investment with the help a system of laws and legislation adopted by the parties supporting investment.

8. The value of \( R^2 \) means that the independent variables account for 89% of the change in the dependent variable, while the remaining 11% is attributed to other factors explained by the random error in the model. The value of Adjusted \( R^2 \) was about 84%, indicating a high explanatory power of the model. The value of D.W was 1.52, thus indicating that it is expected that the model would not suffer from the problem of the self-correlation between random errors.

From the above analysis, the research paper reached the following conclusions:

1. There are positive factors contributing to the creation of an attractive investment environment for foreign direct investment in the Kingdom of Saudi Arabia.
2. The legislative and executive authorities are working within the Saudi Vision 2030 to modernize and develop existing investment laws and legislations in order to attract foreign investment.
3. The most important determinants of investment in Saudi Arabia that have a statistically significant impact are GDP growth rate, domestic investments, and natural gas reserves.
4. There is a significant inverse relationship between government expenditure and the volume of foreign direct investment, which negatively affects the deficit of the state budget. This was discussed in the Saudi Vision 2030 which called for privatization programs for the public sector.
5. There is a significant inverse relationship between the rate of inflation and the volume of foreign direct investment, which negatively affects the productive efficiency of different sectors.

Recommendations

1. There is a need to prepare the current investment environment to increase the attraction of foreign direct investment in Saudi Arabia in order to achieve the Saudi Vision 2030.
2. Priority must be given to investment laws and regulations that support and attract foreign investment, in addition to creating specialized and diverse committees to study obstacles and problems that may face the investment process in the Kingdom.
3. Increasing and diversifying GDP must be taken into account, as this has a positive impact on FDI flows.
4. There is a need to develop programs to support and encourage local investment, especially small and micro-enterprises, and increase support and funding for women's projects.
5. A strategy must be developed in order to control the reduction of government expenditure and the inflation rate, as this has a negative impact on FDI flows.
6. There is a need to study the impact of the stability of the exchange rate on the economic structure of Saudi Arabia.
7. There is a need to direct FDI towards the economic and political sectors and activities according to a system of priorities that includes achieving sustainable development and giving priority to the participation of national capital with foreign capital.
8. There is a need to develop controls obliging foreign companies to transfer technology, train labour, and develop controls to take into account the cleanliness of the environment in the activities of foreign direct investment in the country.

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Forensic accounting skills and tax evasion detection in Lagos State, Nigeria

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Keywords
Forensic Accounting, Forensic Accounting Skills, Internally Generated Revenue, Tax Compliance, Tax Evasion

Abstract
The study investigated the application of Forensic Accounting Skills on Tax Evasion Detection in Lagos State, Nigeria. Data were sourced with the aid of structured questionnaire administered on respondents. The sample size was 301 comprising forensic accountants and Lagos State Internal Revenue officials. Multiple regression analysis results show a positive nexus between Forensic Accounting skills and tax evasion detection as the t-calculated of 4.579 is greater than the t-tabulated of 0.000 at 5% significance level. The forensic accounting skills proxied by Detection, Prevention, Deterrence Skills (DPDS); Forensic Audit, Investigation, Interviewing Skills (FAIIS); Arbitration, Mediation, Litigation Skills (AMLS); Honesty, High Integrity, Communication Skills (HHICS) indicated by the individual level of significance of 0.000, 0.054, 0.054 and 0.122 respectively which are less than 5% acceptable level of significance also shows that there is a significant positive relationship in the effect of Forensic Accounting on Tax Evasion Detection. The finding indicates the existence of tax evasion and that the application of forensic accounting will drastically leads to the reduction. Thus, government will have access to more revenue in meeting up with its constitutional responsibilities. The study recommends among others of the need for the government to institutionalize forensic accounting in the country for effective tax administration.

Introduction
Globally, governments derive their revenue from various sources including taxes. Thus, the revenue of the respective government will be improved upon if the eligible taxpayers comply significantly with tax policies. This compliance will lead to the effective actualization of nations’ constitutional responsibilities to the citizens and the sustenance of its sovereignty. Consequently, the fiscal policies of government should be reinforced in ensuring that any leakages on tax revenue generation thereof are minimized. This, scholars have posited that tax revenue is one of the sources of government income that is germane to solving the problems of financial crises of nations (Al-Baaj, Al-Marshedi & Al-Laban, 2018).

Despite the fiscal policies put in place by the government towards efficient and effective tax system, tax evasion appears a serious issue and of great concern. Tax evasion by individuals and corporate bodies has been a major concern to the three tiers of government in Nigeria as well as policy makers. Consequently, the governments in Nigeria, most especially the state governments have had their revenue projections unattainable partly through tax evasion (Akinadewo, Akinkoye, Oyedokun & Asaolu, 2019; Folayan & Adeniyi, 2018). Thus, the respective state governments have intensified more efforts in tackling the problems of tax evasion. This became necessary to avoid overtaxing the taxpayers and avoid debt traps, which the respective governments will resort to if the budgeted revenue for effective operation cannot be met (Folayan & Adeniyi, 2018). Hence, steps have been taken by the second-tier governments to reduce the effects of tax evasion on their budgeted activities.

Among the states in Nigeria, Lagos State has been in the vanguard in addressing tax evasion through detection and reduction. This has been achieved through the engagement of tax consultants with the knowledge of investigation and forensic accounting. Despite this effort in the past years, tax evasion still exists. The amounts of tax evasion detected in Lagos State were approximately N20.28 billion, N19.69 billion, N18.78 billion, N16.32 billion, N16.50 billion, N13.36 billion, N11.48 billion, N11.13 billion, N11.10 billion.

It has been established by scholars that there is a nexus between forensic accounting and fraudulent practices. Several studies have also showed that forensic accounting is a reliable mechanism to detect and prevent fraud, expose corruption, tackle financial and economic crimes, manage fraud, sustain the integrity of financial statements, enhance the performance of banking sector, and enhance efficient tax administration, among others (Akinadewo, Akinkoye, Oyedokun & Asaolu, 2019; Bassey, 2018; Enofe, Okpako & Atube, 2013; Okoroyibo & Edobor, 2019; Qureshi & Tazilah, 2015; Oyedokun & Enyi, 2018). The global engagement of forensic accountants and the recent emergence of forensic accounting in developing economies like Nigeria have increased the public awareness on its effectiveness in the combat against fraudulent practices. This has also led to the coming together of professionals and academics in Nigeria to form the Association of Forensic Accounting Researchers (AFAR). The effect of forensic accounting on financial and economic crimes, therefore, could be likened to the way an insecticide is, to ants.

In Nigeria, studies have been carried out on the impact of forensic accounting on the integrity of financial statements, on fraud detection in the banking sector, and on the detection and management of fraud, among others, with few literatures on tax evasion from the exclusive revenue of state governments (Akinadewo & Akinkoye, 2019; Oyedokun & Enyi, 2018; Enofe, Okpako & Atube, 2013; Bassey, 2018). It is line with this that this study will empirically determine the level of the influence of forensic accounting as represented by its respective skills on tax evasion detection in Lagos State, Nigeria. The study intends to achieve this objective in examining the link between forensic accounting and tax evasion detection, with the use of different components for forensic accounting as the independent variable.

**Literature Review**

**Tax Evasion and Tax Compliance Enforcement**

Tax evasion has been a global phenomenon both in the developed and the emerging economies. Studies have established that tax evasion has become a universal threat in which the various governments and the respective tax authorities have been intensifying more efforts to minimize the effect on economic growth (Saxunova and Szarkova, 2018). Tax evasion is seen as money-spinning, which cost the United States of America an average of $458 billion per annum between 2008-2010 (Matthews, 2016). Similarly, non-tax compliance in its effect, increases the taxes of taxpayers who have complied with the taxes due from them, and at the same time brings down the relevant public services received by the citizens (Nigrini, 2017). In agreeing with this, Folayan & Adeniyi (2018) opined that tax evasion will affect the principle of perfect market resource allocation and income redistribution. Consequently, while tax compliance lead to more revenue to government, non-tax compliance creates distortion in the execution of budgeted activities.

In Nigeria, there have been cases of tax evasion both at the federal and the states levels. The state governments as pioneered by Lagos State government engaged the services of tax auditors to assist in the reduction of tax evasion on its Internally Generated Revenue (IGR). Despite this effort of the state governments over the years, there have been reports of tax evasion (Akinadewo, Akinkoye, Oyedokun & Asaolu, 2019). The IGR of the state government which include revenue from Personal Income Tax, Withholding Tax, among others have been affected negatively by tax evasion. This position is in line with the argument that evasion of tax has reduced government revenue drastically in Nigeria (Ogbueghu, 2016).

In 2004, when the then Obasanjo led federal government withheld her monthly allocations, Lagos State government majorly focused on IGR for the execution of her activities. This was achieved through the engagement of tax consultants to assist in the reduction of tax evasion and which would result in the improvement of her revenue. Consequently, the efforts of the forensic accountants have improved the revenue of government in addition to the increase in number of taxpayers in Lagos State from 4,174,927 in 2013 to 5,569,332 in 2018. The tax compliance enforcement through the engagement of forensic accountants, therefore, has yielded positively to revenue growth. This is also in line with the postulation of Harelimana (2018) that tax audit assists the government in the collection of the appropriate tax revenue for economic and financial order and stability.
Forensic Accounting

Forensic accounting has been described by scholars differently, but many have agreed that the reports of forensic accountants will be useful for litigation purposes (Ijeoma, 2015; Dada, 2014; Al-Sharairi, 2018). Forensic accounting is an idea that came upon the view of using expert, called forensic accountant, to unravel with documentary evidence, fraudulent practices, in which the information provided could be used for litigation purposes (Akinadewo & Akinkoye, 2019). Akinadewo & Akinkoye (2019) further posited that forensic accounting, also known as forensic audit or investigative audit, has been described by various scholars as an exercise that involves comprehensive examination of fraud investigation case, prevention of fraud, analysis of anti-fraud controls, among others.

In the efficient discharge of their duties, forensic accountants are expectedly trained in various skills and knowledgeable to use the relevant tools of forensic accounting. Furthermore, there have been increased demand for the services of forensic accountants, to deal with the increased white-collar crime and growing cases of occupational fraud, among others (Qureshi & Tazilah, 2015).

Forensic Accounting Skills

Scholars have identified forensic accounting skills to include: detection skill, prevention skill, deterrence skill, forensic audit skill, investigation skill, interviewing skill, arbitration skill, mediation skill, litigation skill, skill of honesty, integrity, and communication skill, analytical skill among others (Enofe, Okpako & Atube, 2013; Owojori & Asaolu, 2009; DiGabriele, 2009).

The detection skill is a necessary and an important knowledge that the forensic accountant should possess after undergoing relevant training. This will assist in the ability to critically examine and unearth hidden financial misappropriations. On the other hand, the preventive skill helps in the effective fortification and the strengthening of the internal control system both in the public and the private sectors. This is a proactive step that ensures the past and the present activities of forensic accountants curtail any prospective fraudulent steps. The deterrence skill is a post event benefit, which ensures that when fraudsters are exposed through the work of forensic accountants, it will deter others from embarking on such ignominious expedition. The forensic audit skill entails the knowledge of knowing and understanding the process and procedure of examining financial records for effective reporting.

The investigative skill assists the forensic accountant to have an objective but critical mind as to the respective figures and transactions in the books of accounts of the organization concerned. It involves a mind that believes through synergy that the sum of 2 and 2 may not necessarily be equal to 4 but needs a second look at the numbers for a more convincing observation. The interviewing skill helps to extract relevant information from the interviewee without undermining objectivity.

The arbitration, mediation, and litigation skills involve the forensic accountant possessing relevant legal knowledge in solving differences among parties on matters of financials and to be able to present reports worthy of acceptance in the law courts. Honesty and integrity are major skills of the forensic accountant without which objectivity and independence will be undermined. Communication skill on the other hand is the ability to present findings for effective dissemination of the data obtained and the relevant information thereof. Thus, the skills of forensic accounting prepare the way for the forensic accountant for efficient service delivery.

Conceptual Framework

The conceptual framework of this study gives the direction to explain the nexus between the components of the independent variable and the dependent variable as detailed below:

TED = Tax Evasion Detection = Dependent Variable
FA = Forensic Accounting = Independent Variable

The independent variable is proxied by:
DPDS = Detection, Prevention and Deterrence Skills
FAIIS = Forensic Audit, Investigation, and Interviewing Skills
AMLS = Arbitration, Mediation and Litigation Skills
HHICS = Honesty, High Integrity and Communication Skills

These components were adopted from Oyedokun, Enyi and Dada (2018), with little modification.
Economic Deterrence Theory

This theory says that tax pronouncement functions under uncertainty (Allingham & Sandmo, 1972). The theorists said that taxpayer has the choice of either declaring the actual income or less than the actual. According to Allingham & Sandmo (1972), if the taxpayer chose not to declare the total income, the payoff may depend on whether he was investigated or not by the appropriate tax authorities. This implies that failure to investigate the taxpayer will be better off but with investigation, he will be worse off. The theorists then posited that an increase in the probability of detection of undeclared income will lead to a larger income being declared. Thus, if the taxpayer knows that once he is discovered his whole past will be investigated, the tax-compliant level will show upward movement, resulting in declaration of total income (Allingham & Sandmo, 1972). In the reflection on this theory, Chauke & Sebola (2016) asserted that it is the most applicable in the municipalities and the South African Revenue Service revenue collection strategies, having established that taxpayers and ratepayers do not pay rates and taxes on their own with free will without coercion. This study is therefore anchored on this theory.

Empirical Review

Scholars have researched on the role of forensic accounting as it concerns corruption, and other fraudulent practices. Studies have also been conducted to determine the relationship between forensic accounting and management fraud, fraud detection and efficient tax administration but bringing divergent conclusions. Despite these studies, there is still few studies on the link between tax evasion of the IGR of state governments, and the impact of the forensic accounting for its eventual detection, which this study intends to fill. Enofe, Okpako & Atube (2013) examined the effect of forensic accounting on fraud detection in Nigerian firms. The sample size was 15 firms in Benin city, Edo State, Nigeria. The study used Ordinary Least Squares (OLS) regression analysis and finds out that the application of forensic accounting services on firms will affect the level of fraudulent activities. Okoroyibo & Omorogie (2019) looked at the influence of forensic accounting on the performance of Nigerian banking industry. The study employed the ex-post facto research design and finding reveals the nexus between forensic audit and net profit margin of selected Nigerian banks.

Al-Sharairi (2018) examined how forensic accountants could be engaged to minimize tax evasion. The study covered public industrial shareholding companies in Jordan, from the perspective of the auditors. The author finds out that forensic accounting is significantly important with the use of accounting estimates and revenue recognition as methods of reducing tax evasion. Palil, Malek & Jaguli (2016) in their study examined the problems associated with tax evasion from the perspectives of
institutional factors. The study which covered Malaysia came out with the relevant determinants of tax evasion ten years, post self-assessment system introduction. Data collected for the study were through national survey with questionnaire prepared in English and Malay. It then finds out that the possible detection of tax evasion, will significantly be a function of how complex the system is. Pourkiani, Asgharpoor and Hosseini (2015), in their research on the factors influencing the attitude of taxpayers to pay tax in Kerman, Iran, came out with the findings that there is pessimism by people towards consumption of tax.

Khersiat (2018), examined how the detection of tax fraud in financial statements will be achievable within the context of the role of forensic accountants. The study used questionnaire and the hypothesis tested with the use of SPSS, coming out with the finding that forensic accountants can achieve this objective in view of the qualification, expertise and skills acquired. Oyedokun, Enyi & Dada (2018) researched on the relationship between forensic accounting techniques and the integrity of financial statements, using investigative approach. The study used fraud prevention, detection and deterrence skills (FPDDS), forensic audit, investigation, and interviewing skills (FAIIS), litigation, mediation and arbitration skills (AMLS), and Computer Assisted Reviews and Document Reviews (CARDR) as the components of forensic accounting techniques. The study finds out that the inclusion of forensic accounting techniques in organizations will strengthen the internal control functions. Akinadewo & Akinkoye (2019) examined the effect of forensic accounting on fraud detection in Deposit Money Banks (DMBs) in Nigeria. structured questionnaire was administered on 40 forensic accountants. The study reveals a positive link between forensic accounting, proxied by Investigation of Fraud, Analysis of Fraud, Prevention of Fraud, and Deterrence in Fraud and fraud detection in the banking industry.

Methodology
Primary data through the administration of questionnaires on respondents was used for this study. The population comprises of 1,387 forensic accountants and tax officials with the knowledge of forensic accounting. The sample size was 301, which was determined through the adoption of Krejcie & Morgan (1970) formula. Lagos State was chosen because it is the pioneer state using tax consultants for tax revenue improvement, the economic heartbeat of Nigeria and having the highest concentration of forensic accounting practitioners. The analysis of data was done using multiple regression analysis.

Model specification
The model is expressed as follows

\[ \text{TED} = \beta_0 + \beta_1 \text{DPDS} + \beta_2 \text{FAIIS} + \beta_3 \text{AMLS} + \beta_4 \text{HHICS} + \mu \]  

Data Presentation, Analysis and Discussion of Findings
Test of Hypothesis
Research Hypothesis: \( H_0 \) – Forensic Accounting has no significant influence on tax evasion detection in Lagos State, Nigeria.

The research hypothesis was tested with the use of multiple regression analysis. This empirical test was done using primary data generated through the responses from the self-administered questionnaire.

Estimation of the Model:
From output statistics as shown in table 1 (Goodness of Fit of Model), table 2 (Analysis of Variance – ANOVA), and table 3 (Coefficients).

\[ \text{TED} = 1.337 + 0.341\text{DPDS} + 0.108\text{FAIIS} + 0.183\text{AMLS} + 0.081\text{HHICS} \]

A priori expectation: \( \alpha_0 > 0, \beta_{1,4} > 0 \).

Discussion
The result of the regression analysis showed how much of the variation in the dependent variable is explained by the variation in the independent variable. The decision rule is that the null hypothesis should be rejected since t-calculated of 4.579 is greater than t-tabulated of 0.000 at 5% level of significance.
Thus, it can be concluded that there is a significant positive relationship in the effect of Forensic Accounting on tax Evasion Detection in Lagos State. This is also indicated by the individual level of significance of 0.000, 0.054, 0.054 and 0.122 which are less than 5% acceptable level of significance as shown in table 3.

The result also shows that there is positive relationship between Detection, Prevention and Deterrence Skills (DPDS) and Tax Evasion Detection since $\beta_{DPDS}$ of 0.341 is positive, which means that Detection, Prevention and Deterrence Skills (DPDS), will aid in the detection of tax evasion; shows a positive relationship between Forensic Audit, Investigation and Interviewing Skills (FAIIS) and Tax Evasion Detection since $\beta_{FAIIS}$ of 0.108 is positive, which means that Forensic Audit, Investigation and Interviewing Skills (FAIIS) are required in the detection of tax evasion; a positive relationship between Arbitration, Mediation and Litigation Skills (AMLS) and Tax Evasion Detection since $\beta_{AMLS}$ of 0.183 is positive, which means that Arbitration, Mediation and Litigation Skills (AMLS) will impact positively in the detection of tax evasion; and a positive relationship between Honesty, High Integrity and Communication Skills (HHICS) and Tax Evasion Detection since $\beta_{HHICS}$ of 0.081 is positive, which means that Honesty, High Integrity and Communication Skills (HHICS) will assist in the detection of tax evasion.

In table 1, the value of R was 0.547, which implies that there is a positive relationship between forensic accounting as proxied by Detection, Prevention and Deterrence Skills (DPDS); Forensic Audit, Investigation and Interviewing Skills (FAIIS); Arbitration, Mediation and Litigation Skills (AMLS); and Honesty, High Integrity and Communication Skills (HHICS). The value of $R^2$, the coefficient of determination was 0.300, which implies that 30.0% of tax evasion detection in Lagos State, Nigeria could be explained by forensic accounting, while the remaining 70.0% could be as a result of other variables not accounted for in this model. In table 2, the model revealed that the relationship between FA and TED is statistically significant ($P = .000 < .05$) with t-statistics = 4.579. The adjusted $R^2$ was 0.290, which is close to the $R^2$ value of 0.300, which means that the model is fit for making generalization. Consequently, forensic accounting (measured by DPDS, FAIIS, AMLS, HHICS) has significant positive effect on tax evasion detection.

**Table 1: Goodness of Fit of Model**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>$R^2$</th>
<th>Adjusted $R^2$</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.547</td>
<td>.300</td>
<td>.290</td>
<td>.66547</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), DPDS, FAIIS, AMLS, HHICS

Source: Authors’ Field Work (2020)

**Table 2: ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>56.067</td>
<td>4</td>
<td>14.017</td>
<td>31.651</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>131.083</td>
<td>296</td>
<td>.443</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>187.150</td>
<td>300</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: TED
b. Predictors: (Constant), DPDS, FAIIS, AMLS, HHICS

Source: Authors’ Field Work (2020)

**Table 3: Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.337</td>
<td>.292</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DPDS</td>
<td>.341</td>
<td>.065</td>
<td>.324</td>
<td>5.268</td>
</tr>
<tr>
<td>FAIIS</td>
<td>.108</td>
<td>.056</td>
<td>.107</td>
<td>1.936</td>
</tr>
<tr>
<td>AMLS</td>
<td>.183</td>
<td>.070</td>
<td>.172</td>
<td>2.618</td>
</tr>
<tr>
<td>HHICS</td>
<td>.081</td>
<td>.052</td>
<td>.086</td>
<td>1.552</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Tax Evasion Detection (TED)

Source: Authors’ Field Work (2020)
Policy Implications and Recommendations

Taxation is a means by which governments meet their constitutional responsibilities and taxes are essential to this (Harelimama, 2018). Tax evasion, however, is a clog to actualizing tax revenue projections. Thus, tax evasion has been a major concern to the stakeholders, including the governments and the scholars. The non-compliance to tax policies by some eligible taxpayers has resulted in dwindling revenue thereby adversely affecting the projected plans of the government. Consequently, this study examine how forensic accounting skills could be employed through the proxies (DPDS, FAIIS, AMLS, HHICS) to influence tax evasion detection. The study reveals that tax evasion exists with inverse relationship with forensic accounting. This implies that increase in the use of forensic accounting will reduce the rate of tax evasion. Thus, the components of the independent variable are positively linked with the dependent variable. The result of the study also implies that forensic accounting is an effective method of detecting tax evasion in Lagos State, Nigeria.

This agrees with the studies of (Akinadewo, Akinkoye, Oyedokun & Asaolu, 2019; Folayan & Adeniyi, 2018; Mansor and Gurama, 2016; Modugu & Anyadugba, 2013; Okoro, Oshoiribhor & John-Otumu, 2016; Hashidu, Adamu & Isah, 2017; Blessing, 2015).

In view of this, and in consideration to the findings of this study, it is therefore recommended that:
1. Forensic accounting should be institutionalized through the establishment of an institute to train and manage the training and the activities of forensic accountants.
2. Government to take a more decisive and methodical approach to prosecuting tax evasion cases.
3. Forensic accounting professionals to be legally integrated in the revenue drive process of the government.
4. Key revenue officials to be effectively trained and retrained on forensic accounting.
5. The current fiscal policies should be updated with the reality of the contemporary situations for effective identification of more eligible taxpayers.
6. Government should operate a more open policy in the reporting of tax collections and the utilization thereof.

References


The choice of coalition governments for promotion of national unity in Africa: Does the model work for unity and political stability?

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Keywords
Coalition, Coalition government, National unity, Political stability

Abstract
The purpose of this paper is to argue that coalition government is not able to achieve peace and stability in African governments as envisaged through political solutions. The paper therefore evaluates the effective use of the coalition model in political stability and promotion of national unity. The paper is conceptual in approach and it uses a desktop method. A coalition is a group of organisations or political groupings that come together for the purpose of gaining more influence and power than the individual organisations can achieve on their own. There are numerous African countries that have adopted the coalition government model for political compromise and stability in their government. The intention is to find out whether the model is practically effective because the model has both advantages and disadvantages. The paper concludes that coalition model is not suitable for the African context. It has shown to fail in numerous countries where it was tried.

Introduction
Where instability characterised the political environment in Africa, coalition government have been formed as a short-term solution. The purpose mainly has been to assure the society of the spirit of national unity within a country. In South Africa, the Transitional Constitution was adopted in 1993 lead by the then president Nelson Mandela through the government of national unity established with the apartheid architect, the National Party which ended in 1994, April 27, when the African National Congress won the majority votes in the first national democratic elections (SAHO, 1994:1). In Zimbabwe when the Movement for Democratic Change (MDC) challenged the three-decade rule of the ZANU-PF and president Robert Mugabe, a government of National Unity was formed by president Robert Mugabe sharing power with MDC president Morgan Tsjangirai (Idasa, 2008:2). In Lesotho such happened when All Basotho Convention (ABC) formed by prime minister Thomas Thabane was joined by Lesotho Congress for Democracy (LCD) and Basotho National Party (BNP) in coalition. The LCD was founded by Ntsu Mokhehle and is currently led by Mothejoa Metsing, the Basotho National Party (BNP) was found by Leabua Jonathan and is led by Thesele Maseribane, Lesotho was first governed by a coalition government in 2012 (Motamai, 2012:1). The question raised in this paper is whether the coalition model in African governance has ever effectively promoted national unity as espoused? Indeed, where it has been attempted no good results were achieved. In arguing for the effectiveness of the coalition model in achieving national unity, the paper will focus on understanding the nature of coalition governments, models of coalition government, strengths and weaknesses of coalition governments and whether coalition government lead to unity and political stability?

Understanding the nature of coalition governments
A coalition government is a cabinet of a parliamentary government in which several parties come together to form a unity government (Henry, 2009:149). On the other hand, Cheibub, Przeworski and Saiegh (2004:565) define coalition government as a group of legislators that belong to different parties that hold cabinet posts. The main reasons for this kind of arrangement is because there is no party that can achieve majority on its own in parliament. In a bi-party system, a dead lock may be created because the votes will even be among competing parties which leave the parties with no alternative except working together as a collective. A coalition government can also be formed in cases whereby there is a national crisis such as in time of war. Such arrangement grants the government some degree of legitimacy (Henry, 2009: 149).
Coalition governments are possible as adopted by either the presidential or parliamentary system of government. In the presidential system, the popularly elected presidential candidate forms a government with cabinet members mainly drawn from his or her political party. This is because the presidential system is a unilateral act, however, the president may invite members of other parties as well (Japeth, 2008:19). However, in the parliamentary system, the party with most seats in parliament forms government and the leader of that party becomes the prime minister or the head of government. In case of parliamentary system, a coalition government results from formal negotiations among political parties in a country (Japeth, 2008:19).

These types of governments advocate for representation and it is believed that coalitions lead to more consensus-based decisions. The government which is composed of diverse parties that have different ideologies would have to agree in regard to governmental policy decisions (Shodhganga, 2005:25). Adoption of a coalition government is a means of managing conflict and bringing about unity, which stems from the consociation (democracy) in divided societies (Kisobo, 2013:10). Coalitions are often designed to prevent the common enemy attaining power, and the system promotes representatives of diverse society. They result in accommodative politics that are also characterised by compromise, in which small and less powerful parties get an opportunity to voice their opinions in government and in public policy making. Furthermore, it provides for the majority of the electorate to be represented (Jacob, 2002:9). Coalitions also denote consensus. For decision-making process to take place, all partners ought to be consulted for consensus to be reached. If all the partners obey this principle of consensus, the coalition is likely to be more viable than a single-party majority, because with time the coalition would absorb the ideas and wisdom from different parties. Decisions that are made through consensus tend to carry more weight, due to the fact that they reflect the opinions of more than one actor (Tiwana, 2001:131). The stability of a coalition is also highly dependent on the equality of leadership, be it government or in the opposition (Jacob, 2002:10). In general, for coalitions to be a success, there must be a political force that is entitled to respect and allegiance due to the reliability of its political theory. Ideological homogeneity must be existent and a well-established leadership that is characterised with a common goal as well as being on the same wavelength with the central force (Raman, 2001:211).

**Models of coalition government**

As mentioned above, coalitions are formed for different reasons and are also formed in different kinds of systems or even under different kinds of circumstances. In this case, two categories of coalition governments are explained, namely classical coalition and consociational coalitions. These models differ in approaches.

**Classical coalition governments**

These are the type of coalitions formed mainly to attain parliamentary majority. Oguyi (2006:54) states that the formation of coalitions is usually the display of the absence of a dominant party that is capable of the governing. Elections play a vital role in formation of classical coalitions. Consequently, a government can be formed before or after the elections and this gives rise to the two types of classical coalition governments: the pre-electoral and the post-electoral (Japeth, 2008:19). They are traditionally contained by political parties and elites for political convenience (Majeed, 2000:3).

**Pre-electoral coalitions**

This is a coalition model whereby different candidates are competing for a single office in which some candidates come together to form a coalition prior to the elections. Candidates who usually form elections are those who are both office and policy motivated. One candidate has to encourage the other to withdraw their candidacy by choosing a joint policy platform (Shin, 2018:162). Pre-electoral coalition is defined by Golder (2006:195) as a situation where various parties’ co-ordinate their electoral strategies rather than running for the office individually. Pre-electoral coalitions are likely to be formed by ideologically compatible parties. Parties usually resort to this type of coalition with the hope that they stand a better chance to win when they work collectively. Pre-electoral coalition governments have been witnessed in Mauritius and Kenya (Mutakha, 2007:109). In Kenya, a coalition of six parties was formed with the aim of unseating the Jubilee party lead by Uhuru Kenyatta. The six parties were, the Orange Democratic Movement (ODM), the Wiper Party, the Amani National Congress, Chama cha Mashinani, the
Nark Kenya Party, the United Democratic Party, and the Muungano Party (Kimani, 2017:1). On the other hand, Sithanen (2003:2) states that Mauritius has always been governed by a coalition government ever since it gained its independence. In Mauritius, the formation of coalitions is influenced by the office-seeking strategy more than other factors. For instance, Mouvement Militant Mauricien (MMM) joined forces with Mouvement Socialiste Mauricien (MSM) in order to ensure political victory (Sithanen, 2003:7). These parties came together to form a coalition before the elections could be held and this makes their alliance a pre-electoral one.

**Post-electoral coalitions**

In most cases, post-electoral coalitions are formed when the classical coalitions fail. They often fail when the ruling party is unable to return from the elections with majority of parliamentary seats. In this instance, the ruling party is forced to invite the opposing party in forming the government (Laver and Budge, 1992:15). If it was not for the shortage of seats in parliament, the ruling party would not be forced to form a coalition with an opposing party. In countries where the model of coalition governments is adopted, the political actors always resort to the formation of coalitions after the elections. This formation does not reflect the preferences of the voters whereas the pre-electoral coalition does (Laver and Budge, 1992:16). Examples of post-electoral coalition countries include, Malawi after the 1994 elections, and Lesotho following the 2012 elections. The post-electoral coalition was formed in Lesotho due to a hung parliament that was produced by the elections. The three parties which came together to form a coalition are All Basotho Convention (ABC), Lesotho Congress for Democracy (LCD) and Basotho National Party (BNP) (Kapa and Shale, 2013:93).

**Consociational coalition governments**

Consociational government is defined as a “stable democracy in deeply divided societies” (Andeweg, 2015:692). Consociational coalition governments are meant to ensure stability through accommodating different segments of a deeply divided society and can also be prescribed when democracy is at risk due to social segmentation (Lijphart, 2004:98). This kind of coalitions are meant to aggregate the interests and demands of the diverse groups. These interests and demands can be met through the creation of a power sharing framework (Kisobo, 2013:18). The power sharing framework should allow the minority groups some autonomy over certain aspects of their own so that they can also get some sense of belonging. This will reduce conflicts that arise due to power imbalances among the diverse groups (Sisk, 1999:37).

Sisk (1999:36) outlines that consociational is composed of four elements such as, grand coalition, group autonomy, proportional representation, and minority veto. Grand coalition means all the minority groups have to be included (Lijphart, 2013:93). Group autonomy in consociational asserts that minority can rule over itself, which means it is only in areas of common concern where decision making will take place by consensus. Proportional representation on other hand advocates for the representation of all parties in government (Sisk, 1999:36). Minority veto protects every single party from being voted out during the decision-making process. This type of coalition can be found in countries that are transitioning or have undergone transition. The transition can be from repressive to democratic regimes or from civil war to peace.

Consociational coalition governments started in Africa in the 1960’s when countries were transitioning from colonialism to independence. These are said to be the “first generation of coalitions” that became existent prior to independence or immediately after independence (Oyugi, 2006:58). They were created in order to bring about a stable political climate for the former British colonies. Pippa (2008:23) states that power-sharing is one of the most hopeful possibilities to lasting stability and sustainable democracy. For this reason, it is important for political actors to adopt the power mechanisms in order to maintain democracy. More often, coalitions emerge after war and it becomes a settlement. The opponents will always have to see to it that power is not dominated by one group. This is because power sharing provides assurance by guaranteeing every group a slice of power among rival groups. Power sharing institutions reduce the danger of one group dominating and threatening the security of others. Societies that utilise this model would have the ability to exercise power consensually, as well as to regulate conflict within democracies that are characterised by deeply divided societies (Liphart, 2004:97).
Strengths and weaknesses of coalition governments

Although coalition governments are seen as mechanisms for bringing unity within societies, coalitions still have some negative effects on societies. Both the strengths and weaknesses are explained below.

Strengths of coalition governments

Generally, coalitions are seen as significant in promoting homogeneity, aggregating policy preferences, promoting representation, sharing of resources, and preventing domination.

Promotes homogeneity

Coalition governments advocate for homogeneity; and are formed with ministers that are drawn from diverse political parties. The arrangement therefore represents different and contradictory viewpoints of the same group (Essays, 2013:6). Such also allow smaller parties to improve their public profile and also to exercise their disproportionate power by participation in government as kingmakers in legislatures that are hung (Stiftung, 2018:26). Coalitions create stable political climate within deeply divided societies. They promote political stability in legislatures whereby there is no party that has won majority seats and there are numerous competing parties (Kadima and Lembani, 2006:138). In a case whereby no party has won the majority seats, coalition is the solution because political parties have to ensure the electorate that a stable government will be existent and the needs and demands of the people will be attended to.

Aggregation of policy preferences

Coalition governments consist of different members with different policy preferences, and it is easier to achieve acceptance of policy reforms that it is in homogeneous government. Reason being, difference in policy preferences provides guarantee protection against reform proposals that are biased towards the interest of a particular party (Helm and Neugart, 2013:384). For instance, coalition governments bring about representation of the political, social, and economic aspiration and needs of numerous regions and sections of society (Bhatia, 2003:143).

Representation

A broader spectrum of people and a wider range of views are represented in coalition governments and this makes coalitions to be more democratic and fairer. Thus, they tend to have smooth continuity in administration because of their representative nature (Oxbridge Applications, nd). Due to different preferences that are existent in coalitions, policies are usually debated in which numerous viewpoints are considered before a policy can be implemented. Also, because of greater policy inspection in coalition governments, policies are usually beneficial to the larger portion of the electorate than it is the case with single party government.

Evenly shared resources

Coalition governments are regarded as an important way of increasing power and stretching of resources. The stretching of resources on other hand helps to overcome deficiencies (Higgins, 2014:35). They also have the benefits of national unity, homogeneity, and channelled information. The parties are also able to share campaign costs in coalitions that are pre-electoral (Dhillon, 2003:5). They also bring about political stability and spur the economic and social development as well as re-establishing democracy. For example, in a case whereby conflict has occurred in plural societies, a coalition government can be adopted as way of reviving democratic governance (Karume, 2003:2).

Prevents dominance

According to World animalnet (nd), coalitions assist in overcoming the fear of dominance of large parties over small parties. This is because they provide protection for members who are unable to take action alone. The coalitions make it is easier to achieve more together in which one individually “win together what you cannot win alone”. Coalitions increase the base of support for government, as well as the base of networks and connections.
Weaknesses of coalition governments

The strengths of coalitions cannot be seen outside the context of its weaknesses. Its known weaknesses are hindrance to accountability, threat to unity, promotion of a particular party policy, delegation risk and compromise and public expenditure.

Hindrance to accountability

Single party governments are usually thought to be more responsible for government policies than coalition governments. This is because it is difficult for coalition governments to be held accountable for their past actions, which hinders governments capacity to enforce accountability (Hobolt and Fisher, 2010:358). In coalition governments parties are not held accountable due to blurred lines of responsibility within the multi-party operation. In a case where accountability is hindered, the citizens are unable to sanction the government for its actions (Anderson, 2000:152). Moreover, if there is no party to be held accountable in a coalition government, the parties will not feel the need to fulfil their responsibilities.

Threat to unity

According to Horowitz (1991:100), coalition governments in the case of consociational democracy perpetuates the very same divisions that it is meant to eradicate. The model leads to racially or ethnically defined majorities and minorities. Although Sisk (1999:36) states that consociational coalition government is characterised by minority veto, minority parties still feel some sense of under-representation. Coalitions often end up being unstable (Booysen, 2015:430). Unstable coalitions are also a result of powerful parties acting in an oligarchic manner which makes the alliance stifle and also make it hard for the minority parties to grow.

Promotion of a particular party policy

Martin and Vanberg (2004:13) argue that the policymaking process by coalition governments generates a classic principal-agent problem. Coalitions are composed of different parties that have different preferences. Therefore, there are high chances for ministers to focus on policies that favour their own policies at the expense of their coalition partners. Having ministers pursue policies of their own parties will lead to a hostile relationship between parties and this can result in political instability that can even force change of government in some instances. For example, Lesotho has been experiencing unscheduled elections ever since the coalition government was adopted in 2012 (Booysen, 2015:430). Unscheduled elections are taking place regularly in Lesotho because the ministers tend to prioritise policies of their parties and neglect those of the coalition. Coalition governments also tend to be fractious and are inclined to disharmony because of the different ideologies of each party (Shodhganga, 2005:25).

Delegation risk and compromise

The problem of delegation is also existent in this system of government. Delegation creates the risk that ministers might truly not work in the interests of the main principle. In other words, for coalitions to be formulated, the leaders must be willing to compromise (Martin and Vanberg, 2004:14). In most cases, the political leaders are not always ready to make compromises, therefore, they end up undermining policies that have been agreed upon and moving government policies to the direction they prefer. Coalition government have also been criticised for pursuing consensus even though a disagreement would be more fruitful in some instances. Political leaders of these kind of governments tend to force consensus because they are trying by all means to unify the coalition against the opposition (Martin and Vanberg, 2004:13). Forced consensus can result to other issues that needed to be attended to unresolved, because the political leaders end up shifting their focus on the unity of coalition more than attending to the interests and demands of citizens. Another issue is that coalitions are hard to hold together and the party leader end up colluding.

The more diverse the parties are, the more it gets difficult for the government to attend to the interests and demands of the citizens. Coalition governments are usually characterised by the delay of policies (Martin and Vanberg, 2004:18). Irrespective of parties being diverse, coalitions are likely to be characterised with delayed policies because the decision making is not as simple as it would be with a single-party government. The delay will happen because to many leaders ought to be informed and there is also the red tape that has to be followed, as a result policy implementation process will be delayed.
Public expenditure

Another challenge faced by coalition is the fragmentation that increases public expenditure (Baskaran, 2013:356). This is because majority of parties tend to use their position and government resources, to campaign for the coming elections. Instead of parties focusing on the priorities of the citizens and governing them, they focus on polls, and this will not lead to any development, instead, development is hindered (Matjama, 2013:1). Coalitions always lead to increased expenditure because the budget is hardly used on what it was meant for, due to the fragmentation.

Can coalition government lead to unity and political stability?

Matjama (2013:10) also states that coalition governments are usually fragile, especially in cases where parties forming a coalition have the slimmest of majorities in parliament. This simply means any defection could cause the government to lose control of the assembly. Lijphart (2004:99) outlines that in a deeply divided society, the total number of votes received by each political party tend to be very low as a result of the division within the society. Thus, political parties’ resort to forming coalition so as to secure as many votes as possible (majority seats). It is therefore sensible to assume that in a deeply divided society, formation of a coalition might be seen as a reasonable solution for the society. However, Rabushka and Shepsle (1972:335), argue that democratic elections lead to instability in a divided society since the politicians belong to different ethnic groups that are more focused on outbidding each other, therefore social tensions are strengthened.

Vowels (2010:370) argues that there are slim chances for coalition governments to bring about change unlike single-party governments. This is because coalitions are composed of numerous actors who need to agree on policy innovations, and due to this, coalitions are linked with fewer policy differences. There are fewer policy differences in coalition governments because it takes longer periods for decisions to be reached due to a large number of actors that have to be informed unlike in single-party governments. Thus, the principle of governments ought to “make a difference” will be weaker under coalitions than in single-party governments. Just like minority governments, they need support from opposition parties in order to pass legislations, therefore it is highly impossible for them to deliver on their commitments (Vowels, 2010:370).

Timmermans (2003:4) describes coalition agreements as “incomplete contracts”, because not like commercial contracts, they are not regarded as legally enforceable, coalition contracts have too many loopholes. This is because there are few mechanisms that can restrict coalition partners from dishonouring the partnership (Moury and Timmermans, 2013:118). For this reason, coalitions tend to lead to government instability due to the limited mechanisms that can be employed for coalition partners to comply. The partners also believe that they can do as they please and that is the reason why these kind of agreements tend to fail and ultimately, result in the collapse of the government before completion of its term, Lesotho is an example; as it is in the third coalition government. The two previous coalition governments failed to last five-year term period which resulted in the calling of early elections and the third coalition government, affectionately known as four by four by its supporters. This current coalition has now lasted for two years and it is gaining strength as some three opposition members of parliament have defected into the government side.

The issue of coalition governments being regarded as not legally enforceable lead to conflict within coalition partnerships because one or more parties can decide not to comply with the partnership commitments. This is because parties are unable to force other parties to abide by the rules. For instance, this is one of the reasons Kenya’s NARC coalition was destabilised (Kadima, 2014:9). Failure of other parties to abide by the rules leads to loss of trust among the coalition partners and this can result in formation of new coalitions (Kadima and Owuor, 2006:212). In instances where partners or parties are not ideologically aligned, policymaking is the most controversial element of coalition agreements. The policies are likely to be vague and weak due to disconnected ideologies (Timmermans, 2003:8). To avoid weak and vague policies, coalition partners have to agree about as many of the major points of the policies as possible before going into government. Going into government without reaching an agreement on policies leads to a legislative deadlock (Timmermans, 2003:8). These kinds of policies complicate the implementation process.

Coalition governments are said to be a means through which the incumbent presidents retain
power through the back door. For instance, it is feared that coalition governments can lead to a trend where incumbent presidents decline to vacate office after losing elections, with the hope that there could be a power-sharing arrangement discussed with the opposition (Japeth, 2008:28). It can be agreed that when it comes to the case of Lesotho, the formation of the pre-2007 alliances were mainly based on the office-seeking theory, whereby the political elite used alliances to access and retain power. Kapa and Shale (2013: 95) stressed that the opposition parties are likely to dispute the election process and evoke violence in order to be incorporated into the government that may emerge. Another criticism levelled against coalitions is that coalition governments denote a failure of democracy; because the will of citizens is altered when political party leaders decide to resort to coalition governments (Mogeni, nd). For instance, in Kenya and Zimbabwe, opting for coalition governments was a way of approving the results of a flawed electoral process.

Conclusion
In relation to what has been demonstrated above, there is no model that is perfect for sustaining coalitions. This is because there are various issues that need to be revisited. Another issue that the political leaders have to bear in mind is that countries are different. Therefore, the coalition model cannot just be adopted because political leaders want to retain power, which is usually the case in African countries. Although this model is said to bring about unity within deeply divided societies, with it come a lot of complication with can lead to political instability, Lesotho is an example. In general, this model is not good for African countries.

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Electoral Institute of Southern Africa. Cape Town.


Market orientation practices in Nigerian insurance companies

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Market orientation, insurance, marketing, Nigeria

Abstract
Market orientation is the business idea that situates the customer, consumer, client, or relevant audience as the centre of business activities. It is one of the important management strategies that may lead to the achievement of organizational efficiency and effectiveness. It has relevance for all sectors in an economy, including goods and services businesses (including insurance services). This paper examined, empirically, the market orientation practices in a sample of Nigerian insurance companies. Using a mix of qualitative and quantitative research approaches, the research sought to provide insight with regard to the Market Orientation practices of insurance companies operating in Nigeria. Specifically, data were collected from a purposive sample of insurance companies in Nigeria. The collected data were analyzed using descriptive statistics. The research found that Nigerian insurance companies emphasized market orientation issues to reasonable extents. The paper discussed the research findings with respect to relevant literature and experience, concludes that market orientation in Nigerian insurance companies was reasonably emphasized, and makes suggestions for further research in related areas.

1.0: Introduction
Many companies use different types of management strategies to cope with their business environment in order to achieve organizational performance. Market orientation is one of the major strategies used by companies to monitor, analyze and respond to business challenges in the environment in order to achieve organizational performance (Hooley, Greenley, Cadogan and Fahy, 2005). Generally, market orientation emphasizes customer satisfaction by coordinating functional marketing activities in order to achieve organizational efficiency and effectiveness (i.e., organizational performance). According to Lado, Maydeu-Olivares and Rivera (1998), market orientation can be conceptualized as a competitive strategy that involves all functional areas and levels of the organization.

Insurance is a service that is geared towards risk mitigation. Therefore, the best any insurance company can do is to promise the insurance client that by buying an insurance policy, he/she will be in a better position and not worse off (Ighomireghian, 2010). To the insurance client, buying an insurance policy means accepting relatively small amount of risk (financial loss in the form of premium) in order to avoid a larger probable loss.

The insurance sector is important in stimulating national growth and development in both developed and developing countries. Some research works have examined the importance of insurance businesses in the growth and development of many economies. Nigeria has the largest insurance market in Africa but with most of the insurance businesses underwritten by foreign companies. In spite of Nigeria’s large population, it is still lagging behind in the world global insurance market ranking. For instance, Nigeria occupies the sixth position in the insurance market in Africa and 65th in the global insurance market, and the country’s insurance density per capita is $4.3, 0.70% as premium share of GDP, and 0.68% insurance penetration index (UNDP, 2003).

The Nigerian insurance sector, like other sectors within the financial system, has experienced some changes in its structure and operations as a result of changes in the business environment. These changes in the environment demand organizational practices and strategies that will assist in achieving organizational efficiency and effectiveness (performance indices). It may be argued that good management strategies will assist the Nigerian insurance sector to show acceptable performance indices in its business activities (Hooley, Greenley, Cadogan and Fahy, 2005).
Despite the positive outcomes of market orientation in developed countries, gaps have been observed in the study and implementation of market orientation in developing economies of Asia and Africa. In addition, it has been shown that the application of some Western management practices (such as market orientation) might not be successful in non-Western countries because of the mismatch between Western management practices and non-Western cultural values (Powpaka, 2006). Generally, there is no agreement in relevant literature regarding market orientation practices in service-oriented firms (such as insurance firms), especially in a developing economy such as Nigeria (Kumar, Jones, Venkatesan and Leone, 2011; Shehu and Mahmood, 2014; Sett, 2017). This research, therefore, sought to fill parts of these identified gaps by examining market orientation with regard to its practices in insurance companies operating in Nigeria (a developing African country).

2.0: Literature Review

The practical implementation of the marketing concept is referred to as Market Orientation. Market Orientation has been seen as a major factor that has an effect on organizational performance (Narver and Slater, 1990) and as a valuable tool that influences firm innovativeness and performance by creating superior value to customers (Narver & Slater, 1990; Shapiro, 1988; Kohli and Jaworski, 1990). Sett (2017) submits that relevant marketing literature sees Market Orientation as an operationalization of the marketing concept and as a source of sustainable competitive advantage (SCA) that may lead to superior firm performance. Kohli and Jaworski (1990) were the first to explain the domain of Market Orientation, and structured the market orientation construct into three organization-wide dimensional processes: information (or intelligence) generation, information (or intelligence) dissemination, and application of market intelligence. Also, Narver and Slater (1990) perceived Market Orientation as an organizational culture with three behavioral dimensions: customer orientation, competitor orientation, and inter-functional coordination. Deshpande and Farley (1998) argue that the two conceptualizations of market orientation by Kohli and Jaworski (1990) and Narver and Slater (1990) are related. Therefore, subsequent elaborations by scholars and researchers have not altered conceptualizations of the Market Orientation construct as proposed by Kohli and Jaworski and Narver and Slater (Sett, 2017).

However, the cultural (Kohli & Jaworski, 1990) and behavioral (Narver and Slater, 1990) perspectives of Market Orientation have been differentiated in literature (Sommer, 2018). While the cultural perspective defines Market Orientation as an organizational mindset and culture, its behavioral perspective deals with organizational instruments, tools, and behaviors. It should be noted, however, that the cultural and behavioral conceptualizations of Market Orientation share many basic ideas in common (Noble, Sinha, & Kumar, 2002) and are similar in the ways they have been operationalized (Cadogan and Diamantopoulos, 1995). Therefore, researchers have combined both the cultural and behavioral perspectives of Market Orientation in many studies (Baumgarth, 2009; Bridson and Evans, 2004; Homburg and Pflesser, 2000; Sommer, 2018).

Although some research efforts have been made to clarify relevant issues pertaining to the theory and practice of Market Orientation in developed economies (Kohli and Jaworski, 1990; Narvar and Slater, 1990), it has been argued that further research is needed, especially in developing countries (Harris and Ogbonna, 2001).

According to Tomaskov (2007), Market Orientation can be defined as means which enable managers to emphasize external and internal issues influencing organizational activities and leading to performance improvements. Carpenter (2017) argues that Market Orientation, though an appealing concept, is less favoured and practised than other management approaches. This research, therefore, sought to examine, empirically, the market orientation practices of Nigerian insurance companies.

3.0: Research Methods

This research, which was part of a larger research, was carried out using both qualitative and quantitative research methods. The population of the study comprised all the fifty-two (52) insurance companies operating in Nigeria. Insurance companies operating in Lagos State of Nigeria were chosen for this study because all the 52 (fifty-two) registered insurance companies in Nigeria have their headquarters in Lagos State. Chief executive officers (CEOs) and managers in the fifty-two (52) insurance firms provided relevant data for the research. The CEOs and Managers were expected to have relevant
knowledge of the market orientation issues of research interest in the sampled of Nigerian insurance firms.

Relevant market orientation measures developed by Narver and Slater (1990) and Kohli and Jaworski (1990), in addition to relevant literature synthesis by Lado and Maydeu-Olivares (2001) and Maydeau-Olivares and Lado (2003), were used for this research. This resulted in a 46-item research measure. According to Blankson and Stokes (2002), adaptation by researchers of existing market orientation constructs and scales in different environment is common.

The questionnaire for insurance CEOs and managers (comprising 46 market orientation items) was structured into three sections (A, B and C). Each question in each of sections A and B was followed by Likert scale of six options scaled in the order of 1–6: 1 for “no extent at all”, 2 for “very low extent”, 3 for “low extent”, 4 for “average extent”, 5 for “high extent”, and 6 for “very high extent”.

Sections A and B of the questionnaire for insurance CEOs and Managers presented questions that enabled the researcher to gather data that examined the extent or degree of market orientation practices of Nigerian insurance firms. Section C of the questionnaire for insurance CEOs and Managers presented questions that enabled the researcher to gather data regarding the demographic profiles of the respondents (insurance CEOs and managers).

For the qualitative aspect of the research for CEOs & Managers of insurance firms, a research interview protocol (question guide) was used to guide in-depth interviews with a sample of 10 (ten) CEOs of insurance firms regarding market orientation issues of research interest in Nigerian insurance companies.

One thousand (1000) copies of the research instrument (questionnaire) were administered to insurance executives (CEOs and managers) in the fifty-two (52) Nigerian insurance companies in the Lagos metropolis regarding market orientation issues of relevance in the research. Of this number (1000), 699 copies were returned completed, with only 673 copies found usable for the study, resulting in an effective response rate of about 67%.

The relevant properties of the Market Orientation instrument (questionnaire) used in this study were assessed through reliability and validity tests. Also, relevant statistical tools in the Statistical Package for the Social Sciences (SPSS Version 20.0) were used to analyze the collected data with regard to market orientation practices in Nigerian insurance companies. Specifically, market orientation practices data in Nigerian insurance companies were analyzed using descriptive statistics.

Results from the data analysis are presented below.

4.0: Research Results & Discussion

Table 1.0 shows the descriptive statistics of the extent to which the surveyed Nigerian insurance firms practised market orientation issues. From table 1.0, it can be seen that most of the market orientation issues witnessed above-average levels of emphases as shown by their Mean values, which ranged from 4.61 to 5.13. As shown in table 1.0, market orientation issues of A1 (“analyzing level of commitment to serve clients’ needs and wants”, with Mean of 5.13), A3 (“knowing clients in its sector of business activity”, with mean of 5.03), and A14 (“holding periodic departmental meetings”, with Mean of 5.10) were, relatively, the most practised market orientation issues. Also, it can be seen from table 1.0 that A17 (“disseminating competitor information to other organizational departments”, with Mean of 4.69), A19 (“disseminating client and company performance information to organizational departments”, with Mean of 4.61) and A21 (“disseminating client satisfaction information to organizational staff”, with Mean of 4.63) were, relatively, the least practised market orientation issues.

Overall, the respondents’ responses on the Market Orientation issues indicated that they (insurance firms’ respondents) were of the view that their insurance firms’ practices of the market orientation issues were above average extent (i.e., Mean>4.0). These findings indicate that market orientation issues were practised to reasonable extents in the surveyed Nigerian insurance companies, especially “analyzing level of commitment to serve insurance clients’ needs and wants”, “knowing clients in sector of business activity”, and “holding periodic departmental meetings”, among others.

Client-focus issues (such as “analyzing level of commitment to serve insurance clients’ needs and wants”, and “knowing clients in sector of business activity”) showed the highest emphases.

The findings from this research with regard to emphases on market orientation issues by Nigerian
insurance firms are expected. This is because issues relating to insurance clients should be, and usually are, the major concerns of insurance decision-makers in order to achieve their organizational performance. In addition, these findings can be explained because one of the major pillars of market orientation is client-focus or client-orientation. Client orientation is the sufficient understanding of a company’s target clients to be able to create superior value for them continuously. Also, client orientation means that organizational clients should be given attention in the organization’s activities because this helps the organization to create increases satisfaction for its clients. However, Kumar et al (2011) argue that too much focus on client orientation may not increase a firm’s performance.

The research, also, found that Nigerian insurance firms emphasize information-related issues to reasonable extent in their market orientation practices. This finding can be explained because useful information about clients and competitors, among others, should guide efficient and effective decision-making in Nigerian insurance companies. These pieces of information should be disseminated to relevant organizational unit to assist decision-making activities. Kohli and Jaworski (1990) have noted the relevance of information generation and dissemination/communication in the market orientation practices of organization. Also, Danso, Poku and Agyapong (2017) argue, with empirical evidence, that the performance impact of market orientation is mediated by an organization’s internal communication issues.

It should be noted that the market orientation emphases of Nigerian insurance firms can be industry specific. This means that some similarities may exist across all Nigerian insurance firms. However, cultural differences exist among Nigerian insurance firms and these cultural differences can lead to differences in their market orientation practices.

| TABLE 1.0: Descriptive Statistics of Market Orientation Practices |
|-----------------|-----------|-----------|-----------|-----------|-----------|
| Statistic | N | Mean | Std. Dev. | Skewness | Kurtosis |
| A1 | 696 | 5.1264 | .98249 | -1.324 | 2.092 |
| A2 | 693 | 4.9091 | .98638 | -.968 | 1.115 |
| A3 | 694 | 5.0346 | .92829 | -.818 | .273 |
| A4 | 693 | 4.8903 | 1.02966 | -.966 | .843 |
| A5 | 694 | 4.8602 | 1.09006 | -.907 | .585 |
| A6 | 696 | 4.7945 | 1.12756 | -1.003 | 1.093 |
| A7 | 695 | 4.8331 | 1.11877 | -.906 | .405 |
| A8 | 694 | 4.7997 | 1.15418 | -1.061 | .879 |
| A9 | 691 | 4.7077 | 1.17149 | -.789 | .144 |
| A10 | 693 | 4.6465 | 1.16201 | -.696 | .057 |
| A11 | 695 | 4.8403 | 1.17077 | -.946 | .326 |
| A12 | 695 | 4.8014 | 1.16666 | -1.012 | .637 |
| A13 | 690 | 4.8478 | 1.10876 | -1.100 | 1.251 |
| A14 | 694 | 5.0937 | .98978 | -1.353 | 2.345 |
| A15 | 693 | 4.7388 | 1.09500 | -.866 | .652 |
| A16 | 688 | 4.7922 | 1.08669 | -.877 | .614 |
| A17 | 693 | 4.6869 | 1.13347 | -.797 | .379 |
| A18 | 691 | 4.8784 | 1.08734 | -.992 | .768 |
| A19 | 694 | 4.6052 | 1.22258 | -.865 | .297 |
| A20 | 694 | 4.7003 | 1.14696 | -.869 | .431 |
| A21 | 693 | 4.6335 | 1.20266 | -.791 | .214 |
Table 2.0: Reliability Statistic of Market Orientation Practices Measure

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>No. of Items</th>
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<tr>
<td>.963</td>
<td>46</td>
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Table 2.0 shows the reliability statistic (Cronbach’s alpha coefficient) of the market orientation practices measure.

The Cronbach’s alpha coefficient (reliability value) of 0.96 in Table 2.0 indicates a high degree of internal consistency among the items on the Market Orientation Practices scale (Yockey, 2011), and meets the reliability standard recommended by Nunnally (1978) for a newly developed research measure (such as the one used in this research). Specifically, Cronbach value of 0.60 reflects modest internal consistency (reliability) and value of 0.70 reflects good internal consistency for research purposes (Nunnally, 1978). High reliability coefficient value (as shown by high Cronbach alpha value) is an indirect way of ensuring content validity in research (Walsh, 1995).

Table 3.0: Demographic Data of Research Respondents (Insurance Managers & CEOS, Quantitative).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title of respondent (C1):</td>
<td></td>
</tr>
<tr>
<td>MD/CEO</td>
<td>.9</td>
</tr>
<tr>
<td>Manager</td>
<td>32.0</td>
</tr>
<tr>
<td>Officer</td>
<td>59.3</td>
</tr>
<tr>
<td>Others</td>
<td>7.8</td>
</tr>
<tr>
<td>Address (C2):</td>
<td></td>
</tr>
<tr>
<td>Given</td>
<td>14.9</td>
</tr>
<tr>
<td>Not given</td>
<td>85.0</td>
</tr>
<tr>
<td>E-mail address (C3):</td>
<td></td>
</tr>
<tr>
<td>Given</td>
<td>8.5</td>
</tr>
<tr>
<td>Not Given</td>
<td>91.4</td>
</tr>
<tr>
<td>Phone Number (C4):</td>
<td></td>
</tr>
<tr>
<td>Given</td>
<td>8.3</td>
</tr>
<tr>
<td>Not Given</td>
<td>91.5</td>
</tr>
<tr>
<td>Number of staff (C5):</td>
<td></td>
</tr>
<tr>
<td>1-9</td>
<td>1.3</td>
</tr>
<tr>
<td>10-99</td>
<td>28.4</td>
</tr>
<tr>
<td>100-499</td>
<td>50.9</td>
</tr>
</tbody>
</table>
Table 3.0 shows the demographic profiles of the research respondents.

5. Conclusions, Recommendations & Suggestions for Further Research

Market orientation is a strategic action practised by organizations which can predict, to some extent, the performance of organization. From the findings of this research, it can be concluded that market orientation is practised to reasonable extent in Nigerian insurance firms. Also, the properties of the research instrument (questionnaire) used in this research are encouraging and supportive of some previous relevant literature (Narver & Slater, 1990; Kohli and Jaworski, 1990; Harris and Ogbonna, 2001; Hair et al, 1998).

With regard to market orientation practices in Nigerian insurance companies, it is recommended that Nigerian insurance companies should emphasize evidence-based client-oriented practices in order to improve the satisfaction of their clients. Also, Nigerian insurance companies should design and implement other supporting management strategies that will assist in improving the satisfaction of their clients. Such strategies may include relationship marketing and competitor analysis studies, among others.

Further research should be undertaken to determine how certain factors (such as innovativeness and entrepreneurship, among others) affect the practice of market orientation in Nigerian insurance companies.

References

Bridson, K., & Evans, J. (2004). The secret to a fashion advantage is brand orientation. International Journal of Retail & Distribution Management, 32(8), 403-411. https://doi.org/10.1108/09590550410546223


Gen Z’s altruism and performance values link to private label preference: first evidence from a German drugstore sample

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Keywords
Generation Z, store brands, private label, retail management, values

Abstract
The purpose of this research is to examine the link between Gen Z’s values and private label acceptance. It aims at better understanding future generations’ openness to retailer’s private label brands, a factor highly relevant for channel strategies. Based on survey data, a sample of 3,194 consumers was explored. Descriptive and inferential statistical methods were used (a) to examine consumer perceptions of private labels, (b) to understand private label usage, and (c) to link Gen Z’s values to customer evaluations and reported buying. The findings indicate that Gen Z consumers are characterized by the value factors (I) altruism, (II) performance orientation, (III) hedonism, and (IV) sense of family. Further, the factors (I) and (II) were identified to be particularly relevant for private label brand positioning. The paper is unique as it is the first empirical investigation of Gen Z’s private label brand preference in the context of retailing and distribution channel strategy.

1. Introduction and purpose
Private label brands (PLB), also known as own brands or store brands, are brands owned, controlled, and mostly exclusively sold by a retail chain (Kremer and Viot, 2012; Kumar, 2007; Baltas, 1997; Pauwels and Srinivasan, 2004). PLB usually comprise a strong linkage with the retailer, especially if the retailer name is used for branded products. The corresponding counterpart to PLB is national brands (NB), managed by producing firms.

Private labels have been extremely successful in the past as well as in recent years (Sebri and Zaccour, 2017; Geyskens, Keller, Dekimpe and de Jong, 2018). The dollar volume from mass retailer’s private label brands climbed 41% from 2013 to 2018 while national brands only increased by 7%, according to a report from the Private Label Manufacturers Association (PLMA) that analyzed Nielsen data. Moreover, this impressive growth for private label shows no sign of slowing (PLMA, 2019). Steenkamp and Geyskens (2014) point out that the growth of PLB has outpaced national brand growth every year in the 21st century. “There is a new retail revolution underway and it’s going to affect the food industry across the globe over the next five years in ways we have never seen before... Nielsen information across 60 countries shows that private-label products continue to gain share across all major geographies” (Nielsen US, 2018, p. 2).

While Seenivasan, Sudhir and Talukdar (2016) state that the United States has caught up during the last recession, and retailers continue to invest in growing store brands, Western Europe is by far the most developed PLB region in the world (Ter Braak, Geyskens and Dekimpe, 2014). Germany has a very high level of PLB turnover in the fast-moving goods industry with about 40% of turnover. In some categories, the market share of PLB is much higher than 50% e.g. in foils/baking paper, in paper hygiene, and household items.

Beyond the growing market share, an increase of PLB’s quality can be observed. Initially created to provide the cheapest product in the assortment, PLB have evolved from generics to products with quality that is comparable to national brands (Keller, 2017). In some categories, they are among the strongest brands in the market. American examples are Great Value (generic) or Sam’s Choice (premium) by WalMart. Nowadays, PLB are a constituent part of retailers’ assortments. They seem to be a success factor for retailers in the Western world (Labeaga, Lado and Martos, 2007) and a relevant competitor to national
brands. Consequently, over the last decades, PLB have emerged as a well-considered topic for management and academic research. Researchers have provided numerous conceptual and empirical insights. Competitive (Pauwels and Srinivasan, 2004), consumer-related (Baltas and Argouslidis, 2007), and retailer-related (Ailawadi and Harlam, 2004) key factors influencing PLB success have been examined. However, these conclusions refer to current consumer cohorts and do not take into account the upcoming generational change. To anticipate private label brands’ future roles for customers, research and management are required to carefully monitor changes involved in coming consumer cohorts. One widely discussed manifestation of the impending change in this regard is the move from generation X (Gen X) to generation Y (Gen Y) to generation Z (Gen Z, e.g. Kitchen and Proctor, 2015). Whereas Gen X consumers were born during 1965-1980, Gen Z consumers refer to persons born from 1995 on. Gen Y (also called Millennials) and Gen Z are often combined and share many characteristics. What especially sets Gen Z apart is that they are the first generation of digital natives. Recognizing that Gen Z is the next generation of buyers that retailers need to focus on, one consequence will be that retailers are going to face new value systems and behaviors of their (potential) buyers. Remarkably, the question of how this will affect the acceptance and use of PLB, as one of the most important strategic issues for the current retail business, has not been addressed yet. In particular, Gen Z’s attitude towards PLB, their PLB product acceptance, and PLB purchase behavior have remained a neglected field in the study of PLB. Against this background, this paper reports a study that investigates how Gen Z’s values relate to private label evaluation and usage. The study is based on a comprehensive consumer sample from the German retail context. The study will help to better understand the forthcoming challenges for retail and brand management.

2. Literature review and theoretical background

Private Label Brands

Concerning attitudes and purchase intention towards PLB, Gomez-Suárez, Quinones and Yagüe (2017) have recently done a comprehensive compilation of academic papers. Table 1 takes up important studies covered there and also adds findings from a further literature review. Another exhaustive review of related literature is provided by Hyman, Kopf, and Lee (2010) which includes 60 empirical studies. Further, a literature overview on PLB and food retailing was presented by Olbrich, Hundt and Jansen (2016), lately.

It was Myers (1967) study that pioneered academic research on PLB. From that on, research on that topic has increased significantly, especially in the last twenty years. The consumer perspective dominates manufacturer’s and retailers’ perspectives (Gomez-Suárez, Quinones and Yagüe, 2017). There are several explanations why PLB have increased in importance. First, they allow for higher margins from the retailer’s perspective (e.g. Ailawadi and Harlam, 2004). Second, they support retailers in their struggle for increasing power in the supply chain system (Olbrich and Grewe, 2013). Third, consumers give less importance to national brands today and have developed a positive attitude towards PLB products as its perceived quality improved (e.g. DelVecchio, 2001), leading to increased perceived value that drives purchase decisions in favor of PLB (e.g. Walsh and Mitchell, 2010). In essence, quality beliefs towards PLB do vary less from those of NB, and consumers’ confidence in PLB products is even backed up by the perception of PLB being cheaper (Richardson, Jain and Dick, 1996; Sinha and Batra, 1999). Fourth, PLB assortment is a means to supporting uniqueness of the retailer’s brand (e.g. Collins-Dodd and Lindley, 2003). Fifth, offering PLB may also lead to increased store loyalty (e.g. Corstjens and Lal, 2000; Ailawadi, Pauwels and Steenkamp, 2008; Gonzalez-Benito and Martos-Partal, 2012).
PLB product success has been modelled by Hoch and Banerij (1993). They consider consumer-related (as product quality and quality consistency), retailer-related (as category retail sales and category margins), and national manufacturer-related determinants (like the number of national manufacturers and national advertising per manufacturer). Further studies on factors explaining the success of PLB stem from Erdem, Zhao and Valenzuela (2004) or Rubio and Yagie (2009). As a reaction to PLB’s success, retailers have professionalized in terms of product brand management; more and more they operate alike their national brand when it comes to product brand management (Davis, 2013; PLMA, 2013).

<table>
<thead>
<tr>
<th>Author(s), year</th>
<th>PLB relevant outcome variable</th>
<th>Antecedent variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richardson et al, 1996</td>
<td>Perceived quality</td>
<td>Store aesthetics</td>
</tr>
<tr>
<td>Bhat, 1997</td>
<td>Attitude</td>
<td>Smart shopping</td>
</tr>
<tr>
<td>Batra &amp; Sinha, 2000</td>
<td>Attitude</td>
<td>Variety seeking</td>
</tr>
<tr>
<td>DelVecchio, 2001</td>
<td>Perceived quality</td>
<td>Price consciousness</td>
</tr>
<tr>
<td>Martinez &amp; Montander, 2008</td>
<td>Attitude</td>
<td>Perceived risk</td>
</tr>
<tr>
<td>Ailawadi et al., 2008</td>
<td>Private label usage</td>
<td>Behavioral loyalty</td>
</tr>
<tr>
<td>Hsu &amp; Lai, 2008</td>
<td>Purchase intention</td>
<td>Category &quot;search&quot; characteristics</td>
</tr>
<tr>
<td>Glynn &amp; Chen, 2009</td>
<td>Attitude towards PLB buying</td>
<td>Price consciousness</td>
</tr>
<tr>
<td>Diallo et al., 2013</td>
<td>Purchase intention</td>
<td>Brand loyalty</td>
</tr>
<tr>
<td>Beneke et al., 2013</td>
<td>Purchase intention</td>
<td>Value consciousness</td>
</tr>
<tr>
<td>Miquel et al., 2017</td>
<td>Purchase intention</td>
<td>Perceived quality</td>
</tr>
</tbody>
</table>

Table 1: Summary of important studies on PLB, grouped by antecedents and dependent variables

**Private label and buying behavior**

Richardson, Jain, and Dick (1996) present a comprehensive framework to understand consumer’s buying responses to PLB. Following their argument, consumers’ propensity to buy PLB depends on demographic factors, personal factors, and consumers’ perceptions. Personal variables focus on the consumers’ tolerance of risk and the degree of reliance on extrinsic cues (which are typically stronger for national brands). Perceptions refer to aspects like the level of perceived risk, the degree of perceived quality variation and the perceived value for money. These are triggered by category knowledge.

Demographic factors: All in all, empirical research has not been able to give support to typical socio-demographic profiles of consumers preferring PLB (Burt and Davies, 2010, also see the summary of these variables in Olbrich, Hundt and Jansen, 2016). But although socio-demographic variables remain critical for explaining choice between PLB and NB (Rondan Cataluña, García and Phau, 2006), Ailawadi, Neslin and Gedenk (2001) emphasize the indirect effect: Socio-demographics have a strong influence on psychographics that, in turn, relate to effective buying behavior. For example, age as a demographic variable will determine the prevalent values and attitudes of a cohort, and that might impact on PLB preference. This might mean that future younger cohorts may have different values and also show different attitudes toward PLB.

Personal factors: Personal factors influencing PLB purchase have been examined mainly in terms of price-consciousness (price-orientation) and customer value-consciousness. According to Lichtenstein, Ridgway and Netemeyer (1993), price-consciousness is defined as the extent to which the consumer focuses on paying low prices. This construct has been discussed early as an influence on PLB purchase.
(e.g. Burger and Schott, 1972; Rothe and Lamont, 1973). Newer studies support that price-consciousness positively influences consumers’ PLB product purchasing decisions (Baltas, 1997; Batra and Sinha, 2000; Hsu and Lai, 2008). A construct that only partly overlaps with price-consciousness is customer value-consciousness. Dick, Jain, and Richardson (1995) define it as the consumers’ evaluation of the product quality relative to the product’s price. Research has shown that value-related measures positively relate to PLB attitude and usage (Burton, Lichtenstein, Netemeyer and Garretson, 1998; Richardson, Jain, and Dick, 1996). Burton, Lichtenstein, Netemeyer and Garretson (1998, p. 294), however, focus on attitude toward PLB as the main influence on PLB usage. They also highlight its role as a mediator between other influences and PLB purchase. As they explain, “for example, consumers may view private label products positively due to a desire to pay low prices (i.e., price consciousness), or a strong desire to maximize the ratio of quality received to the price paid (i.e., value consciousness), or view them negatively because they believe that price is a strong indicator of quality (i.e., a price-quality schema).”

PLB perceptions: For consumers, PLB are attractive as they offer comparatively high-quality products at competitive price levels (Davis, 2013; Pauwels and Srinivasan, 2004). The perceived price-quality relation of PLB has been the focus of several examinations (e.g. Sethuraman and Cole, 1997; Beneke, Flynn, Greig and Mukaiwa, 2013). Generally speaking, it may be stated that relationships between the perceived price-quality relation and PLB product preference exist and that a decent perceived price-quality relation might be seen as a major motive for PLB purchase. Product quality per se had been incorporated in the model by Hoch and Banerji (1993). There, quality consistency was another consumer-related variable to be considered. Several approaches analyze these viewpoints as a question of perceived risk (e.g. Batra and Sinha, 2000; Beneke, Flynn, Greig and Mukaiwa, 2013). As the retail industry has seen an enormous growth of PLB product share, product-related and marketing-related differences between national brands and PLB seem to become more and more negligible. Closing the quality gap with national brands is one of the success factors for private labels (Steenkamp and Geyskens, 2014). In this context, Boyle, and Lathrop (2013) found out that based on an analysis of “objective” product evaluation in the American consumer report, the average quality of private labels is very close to the average quality of NB. Several recent studies found evidence for the quality gap to be closed in the perception of the consumers. According to Nielsen, PLB represent a good alternative to NB for 75% of US consumers, 70% of Europeans, and 58% of Asian shoppers (Nielsen Global Services, 2005). 74% of American customers state that a private label is now better value for the money, 61% say quality has improved, 84% say that private label quality is at least as good, and 61% of the sample purchase more private brand products than two years before (Daymon, 2018). In Germany, 85% of the respondents of a representative study believe that the quality of PLB is as good as the quality of national brands (Ipsos and Lebensmittelzeitung, 2017). All in all, private labels by now are a “widely accepted brand class of their own” (Seenivasan, Sudhir and Talukdar, 2016, p. 802).

PLB, culture, and values: One factor that has been analyzed only rarely is the link between basic values and PLB acceptance. Erdem, Zhao and Valenzuela (2004) identified uncertainty in terms of quality, learning and perceived risk as relevant factors for consumer’s PLB choice. Several times, value disposition has been discussed as factors explaining PLB shopping differences between countries. E.g. Lupton, Rawlinson and Braunstein (2010) discussed differences between the Western individualistic and Eastern collectivistivc cultures. For the Mediterranean countries, Herstein, Tifferet, Abrantes, Lymperopoulos, Albayrak and Caber (2012) found that the predisposition to buy PLB is significantly influenced by personality traits. Based on advertising expenditure in 37 countries, Deleersnyder, Dekimpe, Steenkamp and Leeﬂang (2009) concluded that PLB growth is lower in countries with higher uncertainty avoidance.
Table 2: Overview of Gen X, Gen Y and Gen Z

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Aspects of lifestyle and attitudes</td>
<td>Independence and self-individualism; self-reliant; emotionally search for meaning;</td>
<td>Self-absorbed; self-reliant; emotionally traditional beliefs; family; confident balance, family; life expressive; image-and work; skeptical driven; network-driven; optimism of authority; anti-materialistic, impatient</td>
<td>Self-actualization; optimism, need to belong / peer-acceptance</td>
</tr>
<tr>
<td>Communication</td>
<td>Centralized, E-Mail, mobile phone</td>
<td>Collaborative, Web 2.0</td>
<td>Collaborative, social media, high-tech</td>
</tr>
</tbody>
</table>

**Gen Z**

Gen Z refers to young adults born after 1994 (Williams, Page, Petrosky and Hernandez, 2010; Dimock, 2019; it might be noted that in literature other definitions exist, too). The Gen Z cohort is well educated, innovative and technologically savvy (Merriman, 2015). Gen Z differs from other generations in terms of behavior, with implications for consumer behavior (Schlossberg, 2016). A reason for that might be seen in a modified value cluster, which separates them from former generations. As research has exhibited (e.g. Williams, Page, Petrosky and Hernandez, 2010; Ordun, 2015), the different generations are characterized by contrasting lifestyles and embody different value clusters that, inter alia, trigger buying behavior. Table 2 gives a brief overview of the main differences between the three generations. All in all, Gen Z individuals are considered “new conservatives”, characterized by rather traditional beliefs (Williams, Page, Petrosky and Hernandez, 2010). On the other hand, Gen Z is globally oriented and is more than ever a mixture of persons with diverse backgrounds, encompassing different ideas and experiences, showing a high acceptance for cultural, sexual, or racial diversity (Shatto and Erwin, 2016). Compared to past generations, they have access to more information ever. Peer acceptance seems important to them, and the self-concept is strongly built on the individual’s reference group (Soltan, 2004). Gen Z is also highly tolerant and prefers written communication to oral communication (Chaney, Touzani and Slimane, 2017). Shatto and Erwin (2016) maintain that Gen Z individuals have shortcomings in terms of critical thinking so that the ability to evaluate the validity of information is poor; furthermore, their social and emotional skills are rather poor.

Gen Z and shopping: Though some initial systematic research on general characteristics of Gen Z has been published, only little research has turned towards discussing the implications of Gen Z and shopping behavior or consumption. However, some shopping-related characteristics of Gen Z individuals have been identified by the Criteo Shopper Study (Criteo, 2017): One is that before buying a product, Gen Z consumers will consult their network (online and/or offline). Secondly, online shopping is the most common way of buying products for Gen Z, but they also long for real, tactile shopping experiences and possibilities to explore products in offline shops, and finally, they excessively use retailers’ websites as a source of information. According to Schlossberg (2016), Gen Z consumers have only little brand loyalty, have high expectations and put emphasis on experience. Turning to retail and channel management it seems noteworthy that Gen Z consumers are considered to be less loyal to retailers and channels, putting pressure on each and every retailer to find new ways to attract and retain consumers’ attention (Merriman, 2015).

3. Study

Regarding the findings on Gen Z’s different lifestyle and value system, the question arises how this will impact on PLB acceptance and PLB purchase. How does the upcoming generation’s value system
relate to PLB? Most remarkably, neither conceptual papers nor empirical work have addressed this issue yet. To inaugurate consideration of this relevant link, a study was conducted which explores Gen Z’s value patterns and examines their association to PLB attitude.

Data, sample, and sampling procedure

Data was collected using an online survey. The participants were sampled from followers of a social media channel of a German drugstore retail chain. 3,194 consumers participated in this study, most of them being younger than 30 years. Only a few were older than 38 years. The average age was between 21 and 22 years. 99% of the sample was female. All in all, two groups were covered: Gen Z (2,522 consumers up to 23 years) and Gen Y (651 consumers between 24 and 38 years). Field time was September 2018. The following analyses refer to the Gen Z participants. For participant acquisition, young facebook-followers of the retail chain were asked to participate in the survey and to complete a questionnaire. They were offered to participate in a lottery, for motivation reasons. Filling in the questionnaire took about 5 minutes per participant.

Measures

Apart from personal descriptors and questions on buying behavior and PLB usage, the questionnaire included measures for Gen Z-relevant values and attitudes towards PLB. Gen Z-relevant values were assessed using 14 items taken from an established longitudinal research project by the German ministry for the environment (BMU, 2018). Following the BMU approach, the scaling type was a 4-point Likert version ranging from 1 = „it is very important to me” to 4 = „it is not important at all to me” (translated from German). Examples for covered items are (translated from German): “to have good friends”, “to have a trustworthy partner”, “to enjoy life” or “to make new experiences again and again”.

<table>
<thead>
<tr>
<th>Component/Factor</th>
<th>1 Altruism</th>
<th>2 Performance</th>
<th>3 Hedonism</th>
<th>4 Sense of family</th>
</tr>
</thead>
<tbody>
<tr>
<td>To help socially disadvantaged people and marginalized groups</td>
<td>.770</td>
<td>.042</td>
<td>.061</td>
<td>.062</td>
</tr>
<tr>
<td>To engage in political life</td>
<td>.689</td>
<td>.139</td>
<td>.043</td>
<td>.081</td>
</tr>
<tr>
<td>To act environmentally conscious under any circumstances</td>
<td>.683</td>
<td>.111</td>
<td>.077</td>
<td>.092</td>
</tr>
<tr>
<td>To assume responsibility for the common good</td>
<td>.646</td>
<td>.161</td>
<td>.179</td>
<td>.160</td>
</tr>
<tr>
<td>To respect and recognize the diversity of mankind</td>
<td>.640</td>
<td>-.021</td>
<td>.178</td>
<td>.004</td>
</tr>
<tr>
<td>To have a good education</td>
<td>.106</td>
<td>.748</td>
<td>-.085</td>
<td>.096</td>
</tr>
<tr>
<td>To integrate fulfillment and success into professional life</td>
<td>.194</td>
<td>.662</td>
<td>.180</td>
<td>.111</td>
</tr>
<tr>
<td>To be able to buy what I like</td>
<td>-.055</td>
<td>.539</td>
<td>.396</td>
<td>-.141</td>
</tr>
<tr>
<td>To enjoy the life of the full</td>
<td>.084</td>
<td>.031</td>
<td>.816</td>
<td>.094</td>
</tr>
<tr>
<td>To make new experiences again and again</td>
<td>.327</td>
<td>.109</td>
<td>.643</td>
<td>.063</td>
</tr>
<tr>
<td>To have a trustworthy partner</td>
<td>-.065</td>
<td>.021</td>
<td>.021</td>
<td>.745</td>
</tr>
<tr>
<td>To have a good family life</td>
<td>.099</td>
<td>.039</td>
<td>.092</td>
<td>.737</td>
</tr>
<tr>
<td>To live and act autonomously</td>
<td>.209</td>
<td>.273</td>
<td>-.112</td>
<td>.281</td>
</tr>
<tr>
<td>To have good friends</td>
<td>.212</td>
<td>.077</td>
<td>.079</td>
<td>.185</td>
</tr>
</tbody>
</table>

Table 3: Factor analysis
Attitude towards PLB was measured using two single-scale items on quality evaluations and worthiness of PLB purchase. They were taken from other studies to this subject (Diallo, Chandon, Cliquet and Philippe, 2013; Boyle and Lathrop, 2013; Seenivasan, Sudhir and Talukdar, 2016). For quality evaluation (QE), the comparative question “How do you evaluate the quality of private label brands compared to national brands?” was used, allowing respondents to select from the three alternatives “superior”, “equally” and “inferior” (translated from German). To capture worthiness of PLB purchase (WP), participants had to answer the question “Which statement do you agree the most” using the options “Most of the times, buying national brands is worth the money”, “I don’t know” and “Most of the times, buying national brands is not worth the money” (translated from German).

Results

To identify value patterns, data were factor analyzed. Principal component analysis (PCA) with varimax rotation found four stable factors (all item-correlations > 0.5). The factorial structure is shown in table 3. Factors were labeled according to the items included.

Comparing the identified factors with the items on attitude towards PLB reveals that Altruism (factor 1) is positively correlated with perceptions of private labels being superior to that of national brands (QE). The test for factor consistency confirmed the Altruism factor to be sufficiently reliable (Cronbach α = 0.723).

<table>
<thead>
<tr>
<th></th>
<th>REGR factor score 1 for analysis 1</th>
<th>REGR factor score 2 for analysis 1</th>
<th>REGR factor score 3 for analysis 1</th>
<th>REGR factor score 4 for analysis 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>How do you rate the quality of private labels compared to national brands? (QE)</td>
<td>Correlation (Pearson) = .909**</td>
<td>Correlation (Pearson) = -.009</td>
<td>Correlation (Pearson) = .020</td>
<td>Correlation (Pearson) = -.027</td>
</tr>
<tr>
<td></td>
<td>Significance (2-sided) = .000</td>
<td>Significance (2-sided) = .631</td>
<td>Significance (2-sided) = .284</td>
<td>Significance (2-sided) = .149</td>
</tr>
<tr>
<td></td>
<td>N = 2851</td>
<td>N = 2851</td>
<td>N = 2851</td>
<td>N = 2851</td>
</tr>
<tr>
<td>Most of the times the buying of national brands is worth the money (WP)</td>
<td>Correlation (Pearson) = -.026</td>
<td>Correlation (Pearson) = .071**</td>
<td>Correlation (Pearson) = .085**</td>
<td>Correlation (Pearson) = -.020</td>
</tr>
<tr>
<td></td>
<td>Significance (2-sided) = .165</td>
<td>Significance (2-sided) = .000</td>
<td>Significance (2-sided) = .000</td>
<td>Significance (2-sided) = .289</td>
</tr>
<tr>
<td></td>
<td>N = 2848</td>
<td>N = 2848</td>
<td>N = 2848</td>
<td>N = 2848</td>
</tr>
</tbody>
</table>

** The correlation is significant at the 0.01 level (two-sided).

Table 4: Correlation between factors and attitude towards PLB items

Further, whereas Altruism neither shows a correlation with QE nor with WP, Performance Orientation (factor 2) and Hedonism (factor 3) are positively linked with WP but not with QE. Factor 4 (Sense of Family) is not linked to any of the attitude measures. Table 4 sums up these findings.

4. Discussion of results and limitations of the study

A key result is that, for Gen Z, the Altruism factor positively correlates with the belief that PLB have good quality compared to NBs. This is an interesting insight for understanding Gen Z’s perception and evaluation of PLB activity in distribution channel management. Essentially, the interaction effect means that either the more altruistic the test persons, the better they evaluate the quality of private labels, or participants who have a positive attitude toward private labels are more altruistic. Interpreting this finding will be a research challenge for the future. One way of reading this effect might be that altruistic people often act in a way that benefits (either directly or indirectly) another third-party individual, without an expectation of reciprocity or compensation. Further, altruism can be a synonym of selflessness.
which is the opposite of selfishness. This includes that the individual itself is less important, and there is no need to make use of impression management techniques like using well known or even luxury brands. Money, success, and status, then, are not important. Manufacturer brands often represent a certain image built by advertising. This image is often hedonistic (the brand is fun like e.g. Coca Cola) or performance-orientated (the brand signifies success, e.g. Hugo Boss). Against this background, Geyskens, Keller, Dekimpe and de Jong (2018) recommend retailers not to use their retailer name for branding PLB if the retailer brand emphasis on status is high. Quite the contrary, private labels often are perceived more “democratic” as they are less associated with manipulation techniques like mass advertising. In their origins, and maybe therefore, these brands were even given brand names like “produits libres” (free products) or “Die Weissen” (the white products – the white labels in a sense of “only the necessary”). Consequently, hedonistic-oriented, or performance-oriented people should prefer NBs which is confirmed by this data set. This seems to hold especially for Gen Z consumers. This is why it might be considered a crucial issue when considering the positioning of future PLB for certain segments on the one hand, and for designing retail channels for Gen Z target groups on the other. However, the association between family-oriented consumers and the attitude towards PLB remains unclear in this analysis. On the one hand, national brands often adopt happy families as a cue in advertising. In this case, the household responsible may buy national brands to do their family good. On the other hand, families might have to buy private labels because of the household income being rather low. A missing correlation between the sense of family factor and the attitude towards PLB might not be unexpected, therefore. Overall, the findings from this study point towards the following hypotheses: The more Gen Z consumers advocate altruistic values, the more they believe in the quality of private labels. The more people want to enjoy their lives and the more they perform to be able to buy all they want, the more they believe that having NBs is worth the money. The only value that is relevant for all respondents and correlates with their attitude toward private labels is making new experiences.

Although the data set is based on responses from clients of a particular drugstore company, several results are very similar to more representative studies of young women in Germany. This supports the assumption that the customers in the sample are comparable to the young female population in Germany, and that external validity is sufficient. This might be exemplified with structural criteria like working status or buying motives, for instance. In the study sample used here, 38% of all participants and 29% of Gen Z are working. This is almost congruent with the representative survey by McDonalds and Institut für Demoskopie Allensbach (2017) that found that 25% of Gen Z are employed (Germany). In another part of the questionnaire, it was asked which criteria were important for product purchase. As a result, the most named criteria are price-performance ratio and quality. This matches findings for young German women from studies reported by Arbeitsgemeinschaft Verbrauchs- und Medienanalyse (VuMA Arbeitsgemeinschaft Verbrauchs- und Medienanalyse, 2018) or Statista and QVC (2017). Thus, there is evidence that external validity is adequate.

A major limitation of the sample, however, is that it is a company survey in a specific sector. Furthermore, it is a female-only sample. A more representative sample, also samples from other countries and industries would be desirable. As the correlations found are quite low, confirmation of the results by further studies is needed. However, the present results are the first indication of a connection between an altruistic attitude and the acceptance of PLB.

5. Implications for research and management

This is the first study to examine the link between the values of Gen Z and their attitude towards PLB using a huge consumer sample of more than 2,500 consumers. Though the study is exploratory and reports only the first symptoms, it offers some interesting implications for retail research and retail channel management.

In terms of marketing and retail research, characteristic values of Gen Z drugstore customers were factorized, resulting in the four factors Altruism, Performance Orientation, Hedonism, and Sense of Family. This calls for further explorations of these values with other retail branches and also for contrasting the factors to Gen X samples. Moreover, first evidence is provided for how these values relate to the evaluation of PLB. To our knowledge being the first study addressing this relevant relationship, the paper is meant to stimulate further elaboration of this important topic. For that, results from testing with
other value scales and attitude measures might be compared to the results found here. Doing so, comparing value structures and PLB evaluation of Gen Y to a Gen X sample might offer further insights. This is also true for considering additional moderating or mediating factors to enhance effect sizes. Integrating consumer motives is another relevant aspect future research should consider.

Regarding retail management, this study draws attention to the relevant changes that generational change will mean for PLB strategies. It highlights the underlying value structure which will shape future buying behavior, and especially draws attention to altruistic and performance-related values and motives. Resulting changes in PLB evaluations will have implications for retail assortment in terms of the NB/PLB split, a point that will concern industrial managers as well. Apart from PLB assortment shares, the study also raises questions of how to refine positioning strategies for PLB. For these issues particularly, values related to altruism and performance orientation might be worth being considered for developing new PLB stories or for accessing new target groups. In general, the findings give support to retailers’ prominent approaches to invest in PLB, if they focus on altruistic Gen Z consumers in the future. The reason is that, as shown, they are the ones who believe in the quality of PLB products.

In contrast, PLB managers need to be reserved with Gen Z consumers who want to enjoy life, want to perform, and want to be able to buy all they want. This group of Gen Z consumers tends to believe that preferring NB to PLB is of higher value. Probably, the core values related to Gen Z might serve as applicable variables for future market segmentation. The insights might have implications for further discussions on what will be a promising positioning strategy for the retailer as a brand, too. All in all, the study reported here reminds retailers and channel managers to acknowledge the relevance of learning more about how Gen Z perceives PLB.

References


Socio-economic impact of shopping centres in Gauteng, South Africa

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Keywords
Socio-economic impact, retail real estate, shopping centres, employment, environment, income

Abstract

Purpose: Shopping centres have become an integral part of the built environment in South Africa, in many cases causing marked socio-economic effects, both positive and negative. The present study attempts to provide a better understanding of the multi-faceted effects that shopping centres manifest in the community through providing an overview of the socio-economic impact of shopping centres in Gauteng, South Africa.

Methodology: Due to the complex nature of socio-economic systems, the method selected to conduct the data analysis is the thematic analysis approach. Thematic analysis is a process used to identify the underlying themes of the data that has been collected by utilising a software program (Nvivo 12 Pro) to assist with the thematic analysis process. Upon identifying the underlying themes present within the data, initial codes and keywords identified were then organised into broader themes. To identify prominent themes the keywords are grouped into categories, and a ranking is given based on the frequency which the categories appear in the sample literature.

Results: The top three socio-economic impacts of shopping centres on their communities were found to be employment (jobs created), the improvement of local infrastructure, and the additional income generated in the local community.

Originality: Although a number of studies have investigated various socio-economic impacts of shopping centres, the use of thematic analysis offers a systematic perspective in this topic.

Practical implications: Developers of shopping centres should justify the merits of proposed developments by emphasising the effect on the creation of jobs, improvement of local infrastructure and its environmental sustainability and the additional income generated in the relevant communities.

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Introduction

There is a direct relationship between the economic impact and the social impact of shopping centre developments in that the majority of shopping centres contribute towards the social and economic well-being of the community. Shopping centres are utilised for both socio-cultural and economic purposes and “...commonly include a wide range of retailing and entertainment facilities. They are places for recreation, exercising and socialising, as well as for purchasing goods and services. Many retail complexes have an integrated role, often in association with an existing business area, as the focus for the suburb or suburbs they serve ...” (Taylor, McClintock & Buckenham, 2003, p. 148). With the integration of social aspects and shopping, the shopping centre environment is becoming a larger part of the culture within a community. The local community benefits from the presence of shopping centres as they play a role in the creation of jobs and act as economic stimulators (Williams, 1992; McGreevy, 2016).

The shopping centre industry is one of the primary facilitators of retail sales that drive private consumption which, in turn, drives Gross Domestic Product (GDP) (SACSC, 2017). They are one of the largest employers in South Africa, accounting for approximately 21% of formal sector jobs (Malgas et. al, 2017, p. 2). Now more than ever, the sales, income and employment generated by shopping centres have increasingly evolved to have an impact greater than just retail convenience. Shopping centres also act as a catalyst that stimulates their local economy by providing employment opportunities which, in turn,
contributes to income per capita for the community and generates revenue for the local and national government.

Some of the major benefits of the development of shopping centres are direct employment, indirect employment, and capital investment (Robertson & Fennell, 2007).

**Direct employment.** The larger the centre the more jobs will be created in the area. These include staff that work in the shops, security guards, cleaning personnel, maintenance personnel as well as the jobs during construction of the centre. Without the centre these job opportunities would not be available. Regional or super regional centres can create thousands of new job opportunities. The Mall of Africa in Gauteng, for example, opened in 2016 with a GLA of 131 000 square metres. It estimated that the Mall of Africa created 4 500 permanent job opportunities (Mall of Africa, 2016). In addition to permanent employment, shopping centres also create significant seasonal employment for example, over Christmas and new year periods when trading increases substantially. In South Africa, the shopping centre industry has more than 600 000 permanent jobs (BusinessTech, 2016).

**Indirect employment.** Shopping centres also create indirect employment by the spend of individual business located in the centre on goods, supplies and services. Further employment is also created when the employees of shopping centres or supplying firms spend their wages. This is known as a multiplier effect. This multiplier effect is however lower than other forms of development such as manufacturing. Further employment is also created by expenditure of visitors to these large centres but takes place outside the centre itself, namely, jobs by way of transportation i.e. in busses and taxis as well as filling stations and other nearby shops. These are visited because of a trip to the shopping centre. According to BusinessTech (2016) more than 500 000 indirect jobs are created by the shopping centre industry in South Africa.

**Capital investment.** Shopping centres bring substantial private capital investment to areas that previously has little, namely, new buildings as well as significant improvements to the surrounding infrastructure. These investments are ongoing because centres are constantly extended and refurbished, shops refitted, and infrastructure upgrades.

In addition to these benefits, it is fairly common that shopping centres implement corporate social initiatives (utilisation of business resource to benefit the local underprivileged communities in which the company operates to develop/implement a behavior change intended to improve community wellbeing), contribute to skills transfer (training a new employee to perform a task or skill for growth, sustainability and prosperity) and investing in education and training, amongst others. A recent example of these positive impacts is the expansion in 2017 of the Ballito Junction Regional Mall in Kwazulu-Natal from 10 000 sqm to 80 000 sqm. The mall worked closely with the KwaDukuza Municipality to ensure that local jobseekers could benefit from the jobs created during its construction as well as the sustainable jobs which it has created for its ongoing operation. Staff for the mall were sourced from the nearby areas of Ndwedwe, Shakaskraal, Stanger and Maphumulo, which traditionally would focus on farming/agricultural activities.

More than 2000 jobs were created during the construction of the mall from January 2015 to March 2017, 1500 jobs were created during the fit out of individual stores and 1200 jobs were created post construction. Based on the appointment of service providers to attend to cleaning, security, landscaping and refuse management, centre management was instrumental in the appointment of 117 staff in these areas.

As a contribution to social upliftment, an early learning child educational centre that was built in Ndwedwe in the Build the Future Project paved the way for long term future engagements with a variety of projects. In addition, a Community Platform was developed for local disadvantaged communities to be able to generate an income via a Community initiative retail outlet at the Ballito Junction Regional Mall.

The development of shopping centres may also have negative effects, however. There is generally a negative impact on the surrounding small informal and formal township retailers when a new shopping mall is developed. Research by Ligthelm shows a 47% decline in the number of small businesses in the immediate area during the first six months after the opening of a new mall (Ligthelm, 2012). Almost three out of five small businesses retailers experience a decline in their profitability, turnover and product range. Only a small portion (1% - 4%) reported better business conditions. Similar effects were found in a
study of the impact of shopping centre development on informal and small businesses in Lagos, Nigeria (Ikadeh 2017). Semi-structured interviews with 30 informal and small business owners as well as 100 shoppers were conducted in five different shopping areas, including the areas around the two major shopping centres in Lagos. Most of the informal and small businesses were struggling to survive. Different strategies have, however, been developed for competing against the giant retailers in the shopping malls, including the provision of different types of food and quantities of goods not provided in the formal shopping centres.

The presence of shopping centres in especially economically deprived areas can lead, on the one hand, to ‘aspirational’ shopping, motivating shoppers to improve their financial well-being to be able to afford products and services that previously had been unknown or out of their financial reach. On the other hand, shoppers may become envious and take out unsecured loans, creating artificial buying power and financial distress.

Research Methodology
To provide an overview of the socio-economic impact of shopping centres, a critical survey of existing literature is conducted with the aid of a computer programme (Nvivo 12 Pro) to assist with the analysis of the sample and the identification of prominent socio-economic aspects, which is followed by a discussion of each of the aspects. Vital statistics are collected from Statistics South Africa, the South African Council of Shopping Centres (SACSC) and other internet sources.

Sampling
Due to the difficulty in obtaining sources for the sample, the convenience sampling strategy is used to identify reports, journal articles and conference papers that are applicable to shopping centres. Furthermore, for the source to be part of the sample, each source needs to meet the selection criteria as listed below:

- Must be applicable to retail real estate, shopping centres or malls.
- Needs to address a variety of socio-economic aspects affected by retail real estate.
- May not be older than 10 years to remain relevant to the times.

The sample size is determined by way of data saturation - which means that at some point, by adding additional sources to the sample, no new information will emerge. Existing literature suggests a sample size of twelve be sufficient (Guest, Bunce, & Johnson, 2006 & Latham, n.d. & Sim et al., 2018). The initial analysis uses twelve sources in the sample. Three additional sources are added and analysed to ensure that no new themes are missed as per the data saturation method. No new themes emerged from the analysis of the sources and therefore fifteen samples were considered sufficient.

Data Collection
Sources were collected through online platforms such as Google Scholar and the University of Pretoria’s online library. A data collection process similar to the one described by Salkind (2012) has been adapted for the purpose of the study, where initially a search was done to find potential sources to add to the sample.

The initial search found more than thirty-seven socio-economic aspects that are influenced by shopping centres identified across thirty-one sources. Fifteen sources were eliminated by using the sample selection requirements.

Data Analysis
By utilising a software program (Nvivo 12 Pro) to assist in the thematic content analysis process, the identification and coding process is made easier. The advantages of using this process is that it is a more flexible method of data analysis and it provides a great amount of detail in the collected data. However, due to the detail and wealth of data, it can become quite complex and time consuming (Braun & Clarke, 2006).

Findings

Ranking
To identify the top three socio-economic aspects, a ranking system was created to determine the frequency which the aspects appear in the sample. Where the Frequency of Aspect indicates how many
sources in the sample refer to each socio-economic aspect (1 frequency per source) and the Frequency of Reference refers to the number of times the identified socio-economic aspect is referenced in the sample.

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Socio-Economic Aspect</th>
<th>Frequency of Aspect</th>
<th>Frequency of Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Employment</td>
<td>13</td>
<td>46</td>
</tr>
<tr>
<td>2</td>
<td>Environment</td>
<td>11</td>
<td>30</td>
</tr>
<tr>
<td>3</td>
<td>Income</td>
<td>9</td>
<td>27</td>
</tr>
<tr>
<td>4</td>
<td>Recreation/Leisure</td>
<td>6</td>
<td>20</td>
</tr>
<tr>
<td>5</td>
<td>Safety and Security</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>6</td>
<td>Culture</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>7</td>
<td>Tax</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>Education</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>9</td>
<td>Tourism</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>10</td>
<td>Crime</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 1: Frequency of Socio-Economic Aspects

Shopping Centre Numbers

The SACSC Shopping Centre Directory indicates that South Africa currently has a combined 23.4 million square meters of Gross Lettable Area (GLA) across 1 266 shopping centres. When considering the South African population, this gives a GLA of approximately 418 square meters for every 1,000 people (SACSC, 2019).

In addition, there were approximately 68 shopping centres in the development pipeline as of 2017 with a combined GLA of roughly 1.9 million square meters that would be added to the existing retail space – estimated completion by the end of 2021. That said, retail stock has grown by an average of 17.3% year on year between 2010 and 2017 (SACSC, 2017).

<table>
<thead>
<tr>
<th>Province</th>
<th>Number of Centres</th>
<th>GLA (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>72</td>
<td>1 322 955</td>
</tr>
<tr>
<td>Free State</td>
<td>51</td>
<td>793 640</td>
</tr>
<tr>
<td>Gauteng</td>
<td>506</td>
<td>10 703 878</td>
</tr>
<tr>
<td>Kwa-Zulu Natal</td>
<td>183</td>
<td>3 107 048</td>
</tr>
<tr>
<td>Limpopo</td>
<td>87</td>
<td>1 302 346</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>17</td>
<td>257 200</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>93</td>
<td>1 600 944</td>
</tr>
<tr>
<td>North West</td>
<td>60</td>
<td>967 045</td>
</tr>
<tr>
<td>Western Cape</td>
<td>196</td>
<td>3 295 509</td>
</tr>
<tr>
<td>Total</td>
<td>1 266</td>
<td>23 358 103</td>
</tr>
</tbody>
</table>

Table 2: SACSC Shopping Centre Directory Numbers (Source: SACSC, 2019)

Based on the shopping centre numbers, informed estimates can be made regarding employment...
and employment income earned in the shopping centre industry across South Africa and Gauteng.

Employment

The approximate 1.9 million square meters of GLA in the development pipeline in South Africa includes the development of centres ranging in size from neighbourhood shopping centres to minor regional shopping centres (SACSC, 2017).

If the developers rule of thumb is to be used – one million rand in construction cost equals one construction worker - the initial number of employment opportunities range between 16 000 – 24 000 in South Africa or 7 200 – 11 000 in Gauteng for the period 2017 – 2021.

Further employment opportunities are generated from the management and operations of a shopping centre. For every retail employee there is between 38 and 40 square meters of retail space. This translates to a contribution of between 584 000 – 615 000 direct permanent jobs to the labour market, of which approximately 267 000 – 282 000 are in Gauteng.

The multiplier effect also needs to be considered as it is the result of an increase in spending which produces an increase in income and consumption that is greater than the amount that has been spent. A study done for the city of Johannesburg Metro by the Trade & Industrial Policy Strategies (2015) found that for every R1 000 000 in sales generated 3.91 additional jobs were created.

Income

The local economy is stimulated by the additional income generated from the construction of a shopping centre and then further by the management and operations thereof. The construction industry generates 7 200 – 11 000 jobs. At an average salary of R16 500/month (R198 000/annum) per construction worker (Wasserman, 2019) R2 178 000 000/annum is generated in employment earnings for construction workers in the Gauteng region.

This equates to approximately R258 – R394 million generated in government revenues from personal income tax from the construction of the shopping centres in Gauteng. Further government revenues are generated from the retail employees that manage and operate the shopping centres which can generate as much as R8.36 billion in revenue for the South African Government.

Environment

A shopping centre can have a significant impact on its physical and commercial environment. The larger shopping centres attract a significant number of shoppers to an area which creates an influx of traffic. With the influx of traffic, improvements to road infrastructure is required to cater for the additional traffic flow. The larger the centre, the greater the need for the improvement of infrastructure to accommodate the increase in traffic. The improved infrastructure not only has a positive effect on the local community, it also influences perception of an area which can potentially attract additional investments (Ligthelm, 2008) which may further snowball into an economic catalyst for a commercial node.

Larger retail centres also form a natural focal point or become a key landmark for a community. “... (N)ot only (do they) dramatically improve the physical and social fabric of the urban environment, but also regenerate economic fortunes and improve local quality of life in the process.” (ICSC, 2017, p. 15). Yet at the same time they can be one of the biggest culprits when it comes to the consumption of electricity, waste creation and carbon emissions. “The environmental impact of mass consumables is enormous and would far outweigh the impacts of the buildings they inhabit.” (Mate, 2012, p. 3).

To combat the environmental impact of these consumables, many shopping centre owners, developers and retailers implement sustainability initiatives by: Making use of energy efficient building designs that maximise the use of natural light; using energy efficient building materials; making use of renewable energy such as solar power generation; and taking part in recycling initiatives (water and waste).

In Gauteng there are currently two green star rated shopping centres (Menlyn Maine and The Villa Mall) and an ever-growing number of shopping centres putting green practices into place (i.e. solar power, water, and waste management).

Discussion and conclusions
The socio-economic aspect most often discussed is employment, and it appears more frequently than any of the other socio-economic aspects in the sample literature. It is easy to understand why since the retail industry (formal and informal sectors) provided approximately 23.6% of the jobs to the working population in the first quarter of 2019.

Any new development will require both skilled and unskilled labourers during the construction process. In an area with higher unemployment rates, the construction process will bring an immediate boost to the local economy through employment. This can be attributed to contractors making use of local labourers during the construction process.

Following the general rule of thumb of one construction worker for every one million rand in construction cost, the number of jobs created by the construction phase of shopping centres in the country ranges between 16 000 – 24 000 jobs for the period 2017 – 2021. Gauteng estimates are difficult - however, assumptions can be made based on the fact that Gauteng has the highest concentration of shopping centres (45.8% of the total GLA) in South Africa. It can be assumed that the construction of shopping centres in Gauteng creates between 7 200 – 11 000 jobs.

Direct employment opportunities are initially provided through the construction phase of shopping centres, followed by job creation through the operations and management of the centres. Accordingly, operations and management of shopping centres in Gauteng provide between 262 000 and 282 000 jobs based on the GLA figures and the estimate that there is one retail employee per 38 – 40 square meters of GLA.

The physical environment is the aspect that is most visibly affected by the development of shopping centres. It is a generally accepted norm that larger shopping centres tend to attract a more economically active population and can sometimes rejuvenate or gentrify a neighbourhood. The three most important ways that shopping centres may affect their environment are:

The physical environment and its surroundings are affected by the improvement of local infrastructure. New retail developments would attract large amounts of potential shoppers and this would naturally increase the traffic influx in an area. To avoid congestion, road infrastructure is improved. This improved infrastructure and influx of traffic attracts “street vendors” (people selling their wares on the side of the road and at traffic lights). Retailers further impact the environment through the beautification of an area in an attempt to attract additional shoppers.

Retail real estate also affects its commercial environment. The improved infrastructure makes an area attractive to retailers and business owners as a result of the improved access to an area. Over time the formation of an agglomeration is created as shopping centres assist in the stimulation of the local economy by attracting additional retailers and large amounts of potential shoppers to an area and increasing the tax base of that community.

The shopping centre industry is taking environmental concerns seriously by promoting environmentally sustainable initiatives such as solar power generation; green building design; and waste and recycling management. Furthermore, the industry is promoting corporate citizenship through corporate social responsibility campaigns and good business practices by becoming more environmentally sustainable.

The employment generated by shopping centres increases the level of income per capita in the local community which has a ripple effect on consumption (consumer spending) and retail revenue. Income is further affected by the plough-back of spending into the local economy as a result of the increased disposable income.

During the construction phase there is an immediate, albeit temporary, boost to the income generated within the boundaries of the local economy, which, in turn, will temporarily increase disposable income. Based on the findings in the study, the construction industry in Gauteng generates close to R8.4 billion in income earnings and nearly R400 million in tax revenue for the Government.

After construction has been completed, there remains a permanent increase in income as a result of the creation of permanent jobs. The extent of this increase will depend primarily on the size and type of the shopping centre constructed. In addition, revenues will be generated for local businesses as the newly employed will use a percentage of their income to support local businesses.

Figure 1 is a summary of the top three aspects that are influenced by shopping centres.
Limitations and direction for future studies

The analysis was done on the basis of saturation sampling, employing a total of fifteen sources. These sources were identified from existing international literature less than ten years old and analysed by means of thematic content analysis.

Although shopping centres around the world have a number of common characteristics, it is conceivable, and indeed likely, that the impact of a centre can differ in different societies. For example, the impact on employment of a centre in a developed country where construction may be less labour-intensive, is probably less than in the case of a developing country where construction is likely to be more labour-intensive. Also, the impact on the local economy may be different in a society with a sophisticated tenure and taxation system than in a society where this is not the case. Given the effect of the changing nature of shopping (e.g. e-commerce, leisure and food retailing) on shopping centres, it is also likely that the impact of a shopping centre may in future be less pronounced in certain aspects and more pronounced in other aspects.

These factors will make generalisations more difficult and will require place- and time-specific research to determine the actual impact of a shopping centre.

Recommendations and policy implications

It is recommended that the potential impact of a proposed shopping centre be determined with due
cognisance of the specific society in which the centre is proposed. Generalisations from international findings may not be applicable in specific cases.

From a policy point of view, it should be required that the potential impact of a proposed shopping centre should be determined with special attention being given to the three aspects identified in this study, viz. employment, environment, and income.

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Renewable energy consumption and economic growth in Nigeria: any causal relationship?

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Keywords
Renewable Energy Consumption, Economic Growth, Causality, Nigeria

Abstract
This study examined the effect of renewable energy consumption on economic growth in Nigeria for the period 1990 to 2016. It further investigated the direction of causality between renewable energy consumption and economic growth in Nigeria. This was with a view to providing information on the relationship between renewable energy consumption and economic growth in Nigeria within the period of the study. Data collected was analysed using both descriptive analysis and econometric technique, which included unit root, correlation, co-integration, regression, and granger causality tests. The result showed that although renewable energy consumption and economic growth increased between 1990 and 2016 in Nigeria, renewable energy consumption had no significant positive impact on economic growth in Nigeria. Furthermore, there was no causality between renewable energy consumption and economic growth in Nigeria during the period of study. The study concluded that renewable energy consumption exerted an insignificant negative impact on economic growth in Nigeria. We recommend that investing in renewable energy should be encouraged and enhanced as this may be a way to reduce domestic fossil fuel consumption or to meet increasing energy demand without an increase of domestic fuel consumption to increase fuel exports and thus for higher revenues.

Introduction
Modern energy services, including renewable energy, have been a prerequisite to sustained development in every advanced economy. According to United Nations Environment Program (UNEP) (2015), renewable energy defined as any energy generated from natural processes including hydropower, geothermal, solar, tides, wind, biomass, and biofuels, made up 53.6% of the total gigawatt capacity of all energy technologies installed in 2015. This excludes large hydroelectric projects. According to (International Energy Agency (IEA) (2015b), renewable energy technologies were becoming much more prevalent in both developed and developing economies as they became cheaper, more reliable, and readily available. During 2015, and for the first time ever, developing economies invested more money into renewable than developed economies (UNEP, 2015). Renewable energy technologies had more benefits to developing countries than merely being environmentally friendly. They also could provide protection against future price increases in conventional fuels by diversifying the energy portfolio, aid in the balancing of both budget and trade deficits and created new local economic opportunities which supported poverty reduction and promoted economic growth (Worldwatch, 2005; REN21, 2015).

Given the importance of renewable energy in promoting economic growth, the empirical literature studying the relationship between renewable energy and economic growth has expanded considerably in the last decade. For instance, Khobai (2017) investigates the causal relationship between renewable energy consumption and economic growth in South Africa. It incorporates carbon dioxide emissions, capital formation and trade openness as additional variables to form a multivariate framework. His study determined the direction of causality between the variables using the Vector Error Correction Model (VECM). The results indicated the existence of a unidirectional causality flowing from renewable energy consumption to economic growth in the long run while the short run results suggested a unidirectional
causality flowing from economic growth to renewable energy consumption. Amri (2017) examined the relationship between economic growth and energy consumption under two categories—renewable and non-renewable energy consumption. Using the ARDL model, he found that in both the short and long run relationship, there exist a bidirectional causality between non-renewable energy consumption and economic growth while a unidirectional causality from renewable energy consumption to economic growth exist in the long run. Halkos and Tzemes (2014) investigated the link between electricity consumption from renewable sources and economic growth for 36 countries covering the period between 1990 and 2011. They analyzed the entire sample of countries and then grouped the countries into sub-samples. The results for the entire sample of countries established that the relationship increases only up to a certain level of economic growth. A highly non-linear relationship was realized for emerging and developing countries while for developed countries, an increasing non-linear relationship was observed.

Energy is an imperative enabler that affects many aspects of economic and human development. Thus, economic growth and development may be constrained without adequate energy capacity and access to affordable modern energy services. While modern energy services have been a prerequisite to sustained development in every advanced economy, energy access was often a prevalent problem in developing countries in general and specifically in Nigeria, as evidenced by the fact that over two-thirds of Africans lack access to electricity (IEA, 2015a). Encouragingly, Nigeria has huge renewable resources, which remained untapped including solar, hydroelectric, wind in coastal areas and geothermal in the northern region. In addition, past studies have been inconclusive as to what type of relationship exists between renewable energy and economic growth and there are few independent analyses of the Nigerian case as regard to growth. As such, this study sets out to answer the following research questions: What is the relationship between renewable energy consumption and economic growth in Nigeria? Is there a causal relationship between renewable energy consumption and economic growth in Nigeria?

Thus, given the role of renewable energy in enhancing sustainable development, and to provide answers to the above research questions, this study empirically investigated the relationship between renewable energy consumption and economic growth in Nigeria. This was done using secondary data covering the period 1990 to 2016 while the estimation included both qualitative (descriptive) analysis and quantitative analysis involving unit root test, cointegration test, regression analysis and granger causality test.

Literature Review

Several empirical studies have investigated the relationship between economic growth and renewable energy consumption or renewable electricity consumption either within country context or panel data studies.

Among these studies are Sari, Ewing, and Soytas, (2008). Using a sample period that covers 2001:1 to 2005:6, they investigated the relationship between disaggregate energy consumption and industrial production in the United States using the autoregressive distributed lag (ARDL) approach. They focused attention on the following energy consumption variables: coal, fossil fuels, conventional hydroelectric power, solar energy, wind energy, natural gas, wood, and waste. Their results indicate that real output and employment are long run forcing variables for nearly all measures of disaggregate energy consumption. Odularu and Okonkwo (2009) investigate the relationship between energy consumption and the Nigerian economy from the period of 1970 to 2005. The energy sources used to test for this relationship were crude oil, electricity, and coal. By applying the cointegration technique, the results derived infer that there exists a positive relationship between current period energy consumption and economic growth. With the exception of coal, which was positive, a negative relationship was noted for lagged values of energy consumption and economic growth. The implication of the study is that increased energy consumption is a strong determinant of economic growth having an implicit effect in lagged periods and both an implicit and explicit effect on the present period in Nigeria.

Yildirim, Sarac and Aslan, (2012) study was on energy consumption and economic growth in the USA: Evidence from renewable energy. Their study focuses on the first issue by applying Toda-Yamamoto procedure and bootstrap-corrected causality test for the US since empirical literature criticizes the Toda-Yamamoto test, which bases on asymptotic distribution. The models consist of real GDP,
employment, investment, and kinds of renewable energy consumption. Only one causal relationship was found from biomass-waste-derived energy consumption to real GDP. No causal relationship was found between real GDP and all of the other renewable energy kinds-total renewable energy consumption, geothermal energy consumption, hydroelectric energy consumption, biomass energy consumption and biomass-wood-derived energy consumption. That is using of energy from waste cause not only solving the dumping problems but also it contributes to real GDP. For policy purpose, the results of this study suggest that countries should concentrate on energy producing from waste as an alternative energy resource.

Pao and Fu (2013) examined the relationship between renewable energy, non-renewable energy, and economic growth in Brazil. Their study employed data from 1980 to 2010 to explore the causal relationships between the real GDP and four types of energy consumption: non-hydroelectric renewable energy consumption (NHREC), total renewable energy consumption (TREC), non-renewable energy consumption (NREC), and the total primary energy consumption (TEC). They found a long-run equilibrium among Brazil’s real GDP, labour, capital, and each of the four types of consumption. Also, the influence of NHREC/TREC on real output was positive and significant, while the impacts by NREC/TEC are insignificant. The results from the vector error correction models reveal a unidirectional causality from NHREC to economic growth, a bidirectional causality between economic growth and TREC, and a unidirectional causality from economic growth to NREC or TEC without feedback in the long run. They concluded that their findings suggest that Brazil is an energy-independent economy and that economic growth is crucial in providing the necessary resources for sustainable development. Ogundipe and Apata (2013) examined the relationship between electricity consumption and economic growth in Nigeria using the Johansen and Juselius Co-integration technique based on the Cobb-Douglas growth model covering the period 1980 to 2008. The study also conducted the Vector Error Correction Modeling and the Pair wise Granger Causality test in order to empirically ascertain the direction of causality between electricity consumption and economic growth. The study found the existence of a unique co-integrating relationship among the variables in the model with the indicator of electricity consumption have a significantly impact on growth. Also, the study shows an evidence of bi-directional causal relationship between electricity consumption and economic growth.

Leitao (2014) applied time series (OLS, GMM, VECM and Granger causality) to examine the relationship between economic growth, carbon dioxide emissions, globalization and renewable energy in Portugal, and he concluded that renewable energy, carbon dioxide emissions, globalization are correlated positively with economic growth, and causality test indicated conservation hypothesis between renewable energy and economic growth. Lin (2014) concluded that there is bidirectional long-term causality between economic growth and renewable energy consumption in China by applying Granger causality test. Apergis and Danuletu (2014) using the Canning and Pedroni (2008) long-run causality test examined the relationship between economic growth and renewable energy consumption for 80 countries and concluded bidirectional causality between renewable energy consumption and economic growth in the long run. Kazar and Kazar (2014) investigated the relationship between development and renewable electricity net generation values for 154 countries with panel analysis and found the presence of bidirectional causality in the short-run, and that the causal relationship differs both in short run and long run depending on human development level.

Omri et al. (2015) using dynamic simultaneous-equation panel data models for 17 developed and developing countries examined the relationship between nuclear consumption and renewable energy consumption and economic growth, and concluded mixed results for different countries and unidirectional causality running from economic growth to renewable energy consumption for the global panel. Jebli and Youssef (2015) did their study on Economic growth, combustible renewables and waste consumption, and CO2 emissions in North Africa. They used panel cointegration techniques and Granger causality tests to examine the dynamic causal link between per capita real gross domestic product (GDP), combustible renewables and waste (CRW) consumption, and CO2 emissions for a panel of five North African countries during the period 1971 to 2008. Their Granger causality test results suggest short- and long-run unidirectional causalities running from CO2 emissions and CRW consumption to real GDP and a short-run unidirectional causality running from CRW to CO2 emissions. The results from panel longrun
fully modified ordinary least squares (FMOLS) and dynamic ordinary least squares (DOLS) estimates show that CO2 emissions and CRW consumption have a positive and statistically significant impact on GDP. They recommended that these countries should use more CRW. This increases their output, reduces their energy dependency on fossil energy, and may decrease their CO2 emissions. Aminu and Aminu (2015) set out to re-examine the causal relationship between energy consumption and economic growth using Nigeria’s data from 1980 to 2011 in a multivariate framework by including labor and capital in the causality analysis. Applying Granger causality test, impulse response and variance decomposition analysis, their results reported absence of causality and that of variance decomposition found that capital and labor are more important in affecting output growth compared to energy consumption.

Tamba, Nsouandélé and Lélé (2017)’s study was on Gasoline consumption and economic growth in Cameroon. They analyzed the gasoline sector and examined the causal relationship between gasoline consumption and economic growth in Cameroon using annual data for the period 1975 to 2014. The utilized the unit root tests, the autoregressive vector (VAR) model, and the Wald test to test causality. Their results showed that the series are all I (1) and that there is no long-term relationship. Also, there was a bidirectional causality relationship between gasoline consumption and economic growth in Cameroon. This implies that an increase in gasoline consumption affects economic growth with feedback effect. In view of the result of causality, reducing gasoline consumption without appropriate and established energy policies is not a feasible situation to maintain Cameroon’s economic growth. Khobai (2017) investigates the causal relationship between renewable energy consumption and economic growth in South Africa. It incorporates carbon dioxide emissions, capital formation and trade openness as additional variables to form a multivariate framework. Quarterly data was used for the period 1990 – 2014 and is tested for stationarity using the Augmented Dickey Fuller (ADF), Dickey Fuller Generalized Least Squares (DF-GLS), Phillips, and Perron (PP) unit root tests. The study employs the Autoregressive distributed lag (ARDL) model to examine the long run relationship among the variables. Lastly, the study determines the direction of causality between the variables using the Vector Error Correction Model (VECM). The results validated an existence of a long run relationship between the variables. Moreover, a unidirectional causality flowing from renewable energy consumption to economic growth was established in the longrun. The short run results suggested a unidirectional causality flowing from economic growth to renewable energy consumption. The findings of the study suggest that an appropriate and effective public policy is required in the longrun, while considering sustainable economic growth and development.

Amri (2017) examined the relationship between economic growth and energy consumption under two categories- renewable and non-renewable energy consumption. The findings from the ARDL model supported a long run relationship between economic growth and non-renewable energy consumption but no co-integration was found between renewable energy consumption and economic growth. The results posited bidirectional causality between non-renewable energy consumption and economic growth both in the short run and long run. Furthermore, the results revealed a unidirectional causality flowing from renewable energy consumption to economic growth in the longrun. Marinas, Dinu, Socol and Socîl (2018) tested the correlation between economic growth and renewable energy consumption for ten European Union (EU) member states from Central and Eastern Europe (CEE) in the period 1990 to 2014, using Autoregressive and Distributed Lag (ARDL) modeling procedure, a technique that captures causal relationships both on a short run and on a long run. They found that in the short run, the Gross Domestic Product (GDP) and Renewable Energy Consumption (REC) dynamics are independent in Romania and Bulgaria, while in Hungary, Lithuania, and Slovenia an increasing renewable energy consumption improves the economic growth. The hypothesis of bi-directional causality between renewable energy consumption and economic growth is validated in the long run for both the whole group of analyzed countries as well as in the case of seven CEE states which were studied individually.

Maji, Chindo, and Rahim (2019)’s study was on Renewable energy consumption and economic growth nexus: A fresh evidence from West Africa. They estimated the impact of renewable energy on economic growth in West African countries using panel dynamic ordinary least squares (DOLS) by employing a sample of 15 West African countries covering the 1995 to 2014 period. Their results indicated that renewable energy consumption slows down economic growth in these countries. This, they attributed to the nature and source of renewable energy used in West Africa, which is majorly wood biomass. The
wood biomasses used in West Africa are usually unclean and highly polluting when burnt. On the other hand, the use of clean energy sources like solar, wind and hydropower which does not have a side effect on human health and the environment is less in West Africa. As such, renewable energy use can slow down economic growth by lowering productivity when unclean and inefficient sources are used. Khan, Khan, and Rehan, (2020) investigated the relationship between energy consumption, economic growth and carbon dioxide emissions in Pakistan using annual time series data from 1965 to 2015. Their estimated results of ARDL indicate that energy consumption and economic growth increase the CO2 emissions in Pakistan both in short run and long run. Based on the estimated results they recommended that policy maker in Pakistan should adopt and promote such renewable energy sources that will help to meet the increased demand for energy by replacing old traditional energy sources such as coal, gas, and oil. Renewable energy sources are reusable that can reduce the CO2 emissions and also ensure sustainable economic development of Pakistan.

Given the review above, it can be concluded that the studies for the economic growth - renewable energy consumption nexus or economic growth renewable electricity consumption nexus remains inconclusive as mixed results were found among the various studies. This variation in the results may be attributed to several characteristics as estimation techniques, model specification, data characteristics and development level of the country, Sebri (2015).

**Stylized facts on Nigeria's Energy Resources**

Nigeria have huge energy resources, which potentially give the country ample opportunity to transform her economy and the lives of her citizens. Nigeria sits astride of over 35 billion barrels of oil, 187 trillion cubic feet of gas, 4 billion metric tons of coal and lignite, as well as huge reserves of tar sands, hydropower, and solar radiation, among others (Adenikinju, 2008). For understandable reasons, Nigeria has not devoted equal attention to her abundant energy resources. Her efforts have been concentrated on the development, exploitation and utilization of crude oil and gas for fiscal objectives.

**Oil**

Nigeria has an estimated 37.2 billion barrels of proven oil reserves as of the end of 2011. The majority of reserves are found along the country's Niger River Delta and offshore in the Bight of Benin, the Gulf of Guinea, and the Bight of Bonny. Current exploration activities are mostly focused in the deep and ultra-deep offshore with some activities in the Chad basin, located in the northeast of the country. The government hopes to increase proven oil reserves to 40 billion barrels in the next few years. Nigeria has four refineries with a total installed capacity of 445,000 barrels per day. However, capacity utilization is low. Consequently, annual consumption of petroleum products, which according to government figures stood at 34 million liters per day, is not fully met by internal production and has to be supplemented by imports.

**Natural Gas**

Nigeria's proven natural gas reserves, estimated at about 187 trillion standard cubic feet, are known to be substantially larger than its oil resources in energy terms. Gas discoveries in Nigeria are incidental to oil exploration and production activities. As of 2001, over 50% of the gas produced (mainly associated gas) was flared. In view of the increasing domestic oil consumption, an economically optimal strategy to replace oil with gas and gas derivatives will enhance the availability of more oil for export. This will also promote the conservation of the oil reserves. Apart from the economic advantage, fuel substitution from oil to gas is more environmentally friendly because gas is a cleaner fuel than oil. Given the current reserves and rate of exploitation, the expected life-span of Nigerian crude oil is about 44 years, based on about 2mb/d production, while that for natural gas is about 88 years, based on the 2001 production rate of 1850 bscf. It is, therefore, strategically important to undertake major investments in the gas sector in order to prepare adequately for gas as a substitute for oil both for domestic needs and foreign exchange earnings.

**Coal**

Recent technical and economic studies have identified coal energy as a cost effective solution for power generation; it comes at a cost that is about 20% that of fuel oil and with the cost of crude oil heading towards US$100 per barrel, the gap will continue to widen. Furthermore, with over two billion tons
reserves in Nigeria, coal is an abundant domestic resource that can support the mining and energy industries and provide numerous jobs with potentially high multiplier effects on the local economy. Current technologies allow for clean burning of coal, which takes care of its negative environmental impact; indeed over 50% of the US electrical power supply is from coal resources. Nigerian coal can be utilized for power generation, steam production, in cement production and for brick making; as a heat source and reducing agent for steel production; as a domestic fuel; and as feedstock for the production of chemicals, liquid fuels, gaseous fuels, batteries, carbon electrodes etc. Nwasike and Gregory, (2003). These potentials of coal need to be effectively harnessed into the country's energy delivery system and export commodity mix through the development of a vibrant coal industry. Coal is an alternative energy medium that could be used with oil and gas to give the nation the desired mix that will ensure a reliable, affordable, and environmentally friendly energy medium.

Electricity
Commercial electricity is generated mainly from hydropower, steam plants and gas turbines in Nigeria. Between 1985 and 2000, electricity generation capacity grew by a mere 10 per cent in Nigeria compared to 332 per cent in Vietnam, 142 per cent in Iran, 237 per cent in Indonesia, 243 per cent in Malaysia and 205 per cent in South Korea (Maigida, 2008). Electricity generation capacity is also far below compared countries. Nigeria, with a population of over 170 million people, has an installed generation capacity of 6000MW compared to UAE 4740MW to a population of 4 million or South Africa that has 46000MW to 44million people.

Biomass
Organic, non-fossil material of biological origin is called biomass. The biomass resources of Nigeria can be identified as wood, forage grasses and shrubs, animal wastes and wastes arising from forestry, agricultural, municipal, and industrial activities, as well as aquatic biomass. The biomass energy resources of the nation have been estimated to be significant. Plant biomass can be used as fuel in thermal power plants or converted to produce solid briquettes, which can then be utilized as fuel for small-scale industries. Biogas digesters of various designs are capable of sustaining household, industrial and institutional energy needs. It has indeed been shown that the remaining biomass material after digestion is a better fertilizer than the original waste. The intensive application of this will reduce the existing heavy reliance on chemical fertilizers. The abundant energy available from biomass can be meaningfully introduced into the nation's energy mix through the development of a comprehensive programme. The programme should encompass fully supported research, development, demonstration, and manpower training components.

Methodology and Data Source
Model Specification
This study aimed at establishing the dynamics properties of the relationship between Renewable Energy Consumption (REC), and Economic Growth proxy by Real Gross Domestic Product (RGDP) in Nigeria over the years (1990 to 2016). The functional form, on which the model is based, employed simple regression equation in the analysis of this work. In an attempt to capture the crux of this study, the model is represented in a functional form as shown below:

\[ RGDP_t = f(REC_t), \]  \hspace{1cm} \text{1} \\
\[ LNRGDP_t = \beta_0 + \beta_1 LNREC_t + \epsilon_t, \]  \hspace{1cm} \text{2} \\
\[ LNRGDP_t = \beta_0 + \beta_1 LNREC_t + \epsilon_t, \]  \hspace{1cm} \text{3}

Where:
- \( RGDP_t \) is Real Gross Domestic Product at time \( t \)
- \( REC_t \) is Renewable Energy Consumption at time \( t \)
- \( LNRGDP_t \) is Log of Real Gross Domestic Product at time \( t \)
- \( LNREC_t \) is Log of Renewable Energy Consumption at time \( t \)
\( \varepsilon_t \) is the stochastic error term

\( \beta_0 \) and \( \beta_1 \) are intercept and slope coefficients to be estimated.

The `a Priori` Expectation

The a-priori expectation regarding the relationship among the independent variables and the dependent variable is that; \( \beta_0 > 0 \) indicating that at zero renewable energy consumption RGDP is greater than zero. \( \beta_1 > 0 \) a positive relationship between renewable energy consumption and economic growth, that is, increase/decrease in renewable energy consumption leads to increase or decrease in economic growth ceteris paribus.

Causality Model Specification

The pair-wise bivariate causality model is as present below:

\[
\begin{align*}
\text{Lnr}_{\text{RGDP}t} &= \sum_{i=1}^{n} \alpha_i \text{Lnr}_{\text{RGDP}t} + \sum_{i=1}^{n} \beta_i \text{Lnr}_{\text{REC}t} + \varepsilon_t \\
\text{Lnr}_{\text{REC}t} &= \sum_{i=1}^{n} \alpha_i \text{Lnr}_{\text{REC}t} + \sum_{i=1}^{n} \beta_i \text{Lnr}_{\text{RGDP}t} + \varepsilon_t 
\end{align*}
\]

In Equation 4 current LNRGDP was related to its past values as well as past values of LNREC. On the other hand, equations 5 postulated that LNREC was related to its past values as well as past values of LNRGDP. If \( \beta_1, \beta_2, \ldots, \beta_k = 0 \) in equation 4 implied LNREC does not Granger Cause LNRGDP. Similarly, if \( \beta_1, \beta_2, \ldots, \beta_k = 0 \) in equation 5 implied LNRGDP does not Granger Cause LNREC.

Data Source

This study made use of secondary annual data for Nigeria for the period 1990 to 2016. The data for the study was sourced from the Central Bank of Nigeria (CBN) 2016 Statistical Bulletin (for RGDP) as well as the U.S. Energy Information Administration for renewable energy consumption (REC).

Data Analysis

Descriptive Statistics

The results for the Mean, a measure of central tendency, Standard Deviation, a measure of dispersion or variability, maximum or peak value and minimum or lowest value is as presented in table below:

<table>
<thead>
<tr>
<th></th>
<th>RGDP</th>
<th>REC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>37274.79</td>
<td>3098868.</td>
</tr>
<tr>
<td>Median</td>
<td>31709.45</td>
<td>2997940.</td>
</tr>
<tr>
<td>Maximum</td>
<td>69023.93</td>
<td>4206286.</td>
</tr>
<tr>
<td>Minimum</td>
<td>19199.06</td>
<td>2145327.</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>17796.49</td>
<td>676437.8</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>1.814241</td>
<td>1.754103</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>3.009684</td>
<td>2.094699</td>
</tr>
<tr>
<td>Probability</td>
<td>0.222052</td>
<td>0.350866</td>
</tr>
<tr>
<td>Sum</td>
<td>1006419.</td>
<td>83669448</td>
</tr>
<tr>
<td>Sum Sq. Dev.</td>
<td>8.23E+09</td>
<td>1.19E+13</td>
</tr>
<tr>
<td>Observations</td>
<td>27</td>
<td>27</td>
</tr>
</tbody>
</table>

Source: Computed by the Authors using E-views 9

From the table, the average real gross domestic product (RGDP) from 1990 to 2016 is 37,274.79
billion naira. This is as shown by the mean value for real gross domestic product for the 27-year period of the study. The average value for renewable energy consumption (REC) is 3,098,868 Gigawatt hours. It is also clearly showed that the peak value for real gross domestic product (RGDP) is 69,023.93 billion naira. This occurred in year 2015. In addition, peak value for renewable energy consumption (REC) is 4,206,286 Gigawatt hours. This also occurred in year 2016. These values are as shown by their respective maximum values. However, the lowest value for real gross domestic product (RGDP) and renewable energy consumption (REC) is 19,199.06 billion naira and 2,145,327 as shown by their minimum values, respectively. These values both occurred in year 1990, which is the early year of the study. The standard deviation indicates the spread of the variable around its mean. It is a measure of spread and variability. The standard deviation for RGDP and REC is 17,796.46 and 676,437.8, respectively. The normality distribution of the data sets was tested using Jarque-Bera statistics, the test showed that are not normally distributed at 10% and 1% respectively. This implies that REC has high level of volatility when compared to the RGDP.

**Correlation Analysis**

In this section we discuss correlation analysis, which is used to quantify the association between two continuous variables (e.g., between an independent and a dependent variable or between two independent variables). In correlation analysis, we estimate a sample correlation coefficient, more specifically the Pearson Product Moment correlation coefficient. The sample correlation coefficient, denoted r, ranges between -1 and +1 and quantifies the direction and strength of the linear association between the two variables. The correlation between two variables can be positive (i.e., higher levels of one variable are associated with higher levels of the other) or negative (i.e., higher levels of one variable are associated with lower levels of the other). The analysis continues in this section in determining the degree of linear association between RGDP and the independent variable, REC. The result of the correlation analysis is presented in table below.

<table>
<thead>
<tr>
<th>Table 4.2: Correlation Matrix between the Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>LOGRGDP</td>
</tr>
<tr>
<td>LOGREC</td>
</tr>
</tbody>
</table>

Source: Computed by the Authors using E-Views 9

It is evident from table 4.2 above that there is a strong positive relationship between real gross domestic product (RGDP) and renewable energy consumption (REC) during the period of the study. This is indicated by the high Pearson Correlation Coefficient of 0.759589, implying that with increase renewable consumption energy there is more opportunity for increased economic activities and hence an increase in real gross domestic product (RGDP) and growth.

**Empirical Analysis**

**Unit root Test or Test of Stationarity**

This section presents the unit root test result. The unit root test was conducted to help avoid “spurious” or “nonsense” regression results. Most time series variables are usually non-stationary and using non-stationary variables in the model might lead to spurious regressions (Granger and Newbold, 1977 and in Yule 1926). Hence the variables were tested at levels, first and second difference for stationarity using the Augmented Dickey-Fuller (ADF) test. The result is presented below:

<table>
<thead>
<tr>
<th>Table 4.3: Results of Augmented Dickey-Fuller Unit Root Tests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: Computed by the Authors using E-Views 9</td>
</tr>
</tbody>
</table>
ADF Test Statistics and Mackinnon (1996) one-sided P-values for the Variables in brackets

<table>
<thead>
<tr>
<th>Test in:</th>
<th>LNRGDP</th>
<th>LNREC</th>
<th>LNRGDP</th>
<th>LNREC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level</td>
<td>-1.122466</td>
<td>1.227719</td>
<td>-2.986225</td>
<td>-3.004861</td>
</tr>
<tr>
<td>(0.6904)</td>
<td>(0.9973)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st Difference</td>
<td>-1.929053*</td>
<td>-2.998064*</td>
<td>-2.986225</td>
<td>-3.020686</td>
</tr>
<tr>
<td>(0.3144)</td>
<td>(0.0020)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2nd Difference</td>
<td>-5.226688*</td>
<td>-2.245140</td>
<td>-2.991878</td>
<td>-3.004861</td>
</tr>
<tr>
<td>(0.0003)</td>
<td>(0.1975)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Order of Integration</td>
<td>I (2)</td>
<td>I (1)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Significant at 5 per cent Level of Significance (LOS). ADF is calculated with intercept using Lag Length: 1 (Automatic - based on SIC, maxlag=5)
Source: Computed by the Authors using E-Views 9

The unit root was done using the Augmented Dickey-Fuller (ADF) test, (including test with intercept and a one period lag). The summary of results for the unit root test as tabulated in table 4.3 above have shown that both variables have unit root, that is, they are non-stationary, at levels. This is because their ADF statistic values are all less than the Mackinnon critical table values in absolute term at the 5 per cent level of significance (LOS). Alternatively, the Mackinnon p-value in the bracket is more than 5 percent. Thus, the null hypothesis of non-stationarity could not be rejected when the test is done at level for the two variables. Consequently, the ADF test strongly support the hypothesis that both variables are non-stationary at level and that they exhibit a random walk.

This suggested the need to difference the series to obtain stationarity. The immediate conclusion is that any dynamic specification of the model in the levels of the series is likely to be inappropriate and may be affected by problems of “nonsense” regression or “spurious” regression. After the 2nd difference, LNRGDP become stationary as shown by the bold asterisk values in the table. Hence, it is integrated of order two I (2). LNREC on the other hand is stationary at first difference meaning it is integrated of order one I (1). So, the unit root test was re-tested by differencing the LNRGDP so as to derive I (1) of REC and I (1) in order to test further for co-integration. The result of the unit root after differencing RGDP(LNDRGDP) and logging it to derive integrated of order I(1) and logging of REC (LNREC) now remain at integrated of order I(1) was significant at first difference where LNDRGDP at first difference is 0.0001 and LNREC is 0.0020. The result showed that the unit test was stationary at first difference and has no unit root so null hypothesis is rejected.

Co-integration Test
The result of the co-integration test in table 4.4 below at 5% level was set that the series are not co-integrated, so we rejected the null hypothesis.

Table 4.4: Result of Cointegration Test

<table>
<thead>
<tr>
<th>Dependent</th>
<th>tau-statistic</th>
<th>Prob.*</th>
<th>z-statistic</th>
<th>Prob.*</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOGDRGDP</td>
<td>-3.126603</td>
<td>0.1202</td>
<td>-15.04498</td>
<td>0.0705</td>
</tr>
<tr>
<td>LOGREC</td>
<td>-2.130230</td>
<td>0.4750</td>
<td>-9.176176</td>
<td>0.3333</td>
</tr>
</tbody>
</table>


Intermediate Results:

<table>
<thead>
<tr>
<th></th>
<th>LOGDRGDP</th>
<th>LOGREC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rho – 1</td>
<td>-0.65129</td>
<td>-0.398964</td>
</tr>
<tr>
<td>Rho S.E.</td>
<td>0.209214</td>
<td>0.187287</td>
</tr>
<tr>
<td>Residual variance</td>
<td>0.571765</td>
<td>4.92E-05</td>
</tr>
</tbody>
</table>
Regression Analysis

One of the objectives of this study is to determine the relationship between renewable energy consumption and economic growth in Nigeria. To carry out this objective a simple regression analysis using ordinary least squares (OLS) was conducted and the result is as presented in table 4.6.1 below for scale effect and a more robust regression result the natural logarithms of the data presented in appendix II were employed for the regression analysis.

The estimated regression result can be represented as below:

\[ \text{LNDRGDP} = 0.392074 - (155.3216) \text{LNREC} \]

The regression result shows that the coefficient of LNREC is negative, this means that \( \beta_1 < 0 \) and this conforms to the a priori expectation of the model for the study. This result can be interpreted as a decrease (increase) in LNREC leads to decrease (increase) in real gross domestic product. This is as the same as the correlation and Granger causality results. The coefficient of LNREC is -155.3216 meaning a percentage decrease (increase) in LNREC leads to about -155 percent decrease (increase) in LNDRGDP; this is because the variables are already in logarithm form. In addition, the t-statistic of -0.446088 is low enough and the probability value of 0.6606 is high enough, indicating that the coefficient of LNREC is not statistically significant at 5 percent level of significance (LOS). The R\(^2\) of 0.089317 shows that 8.93 percent variation in the dependent variable (LNDRGDP) is explained by the independent variable (LNREC), leaving the remaining 91.07 percent to other variables not captured by the model. In addition, the F-statistics and F-statistical probability of 0.931727 and 0.411140 respectively are highly plausible indicate that overall, the model is not statistically significant at one percent level of significance. However, the Durbin-Watson statistic of 1.887898 is not desirable as it indicates that there is no serial correlation in the series because; Durbin Watson is in the neighbourhood of 2.

Granger Causality Test

The analysis continues in this section with a test of causality between the variables. Employing E-views 9 statistical package, from the data in Appendix I, the pair-wise Granger causality test were examined. The result is as presented in table 4.8.1 below.
From the above result, there was no causality between the two variable RGDP and REC. The null hypothesis REC does not Granger cause RGDP was accepted while the second null hypothesis, RGDP does not Granger Cause REC was also accepted for the two Lag period considered at 5% level of the set probability 0.2109 and 0.4158 are not significant.

Summary and Conclusion

This study empirically examined the relationship between renewable energy consumption and economic growth in Nigeria (1990-2016). The major objective of this study is to determine the impact of renewable energy consumption on economic growth in Nigeria. The data used in this study are secondary data. The variables that were used include the dependent variable; RGDP in constant 2010 basic prices, (RGDP) as proxy for economic growth and the independent variable is renewable energy consumption defined in billions of kilowatt hours (REC). Unit root was conducted using the Augmented Dickey-Fuller (ADF) test. The results for the unit root test have shown that both variables have unit root, that is, they are non-stationary, at levels, and that they exhibit a random walk. This suggests the need to difference the series to obtain stationarity. RGDP become stationary at 1st difference hence, it is integrated of order one I (1). REC on the other hand is stationary at first difference meaning it is integrated of order one I (1). From the correlation analysis, it is evident that there is a strong and significant positive relationship between economic growth and renewable energy consumption (REC) during the period of the study. From the Granger causality result, there is no causality between real gross domestic product and renewable energy consumption. The granger causality test negates apriori expectation positive relationship between the renewable energy consumption and economic growth in Nigeria. As a result, renewable energy consumption leads to economic growth in the long-un. The regression result shows that the coefficient of renewable energy consumption (REC) negate to the a priori expectation of positive relationship between renewable energy consumption and economic growth in Nigeria. The result showed a negative but not significant relationship.

It is believed that the greater the renewable energy consumption, the more the economic activity in the nation and as a result a greater economy emerges. But, based on the empirical results, this study concludes that there is no significant and positive long-run relationship exists between renewable energy consumption and economic growth in Nigeria. This might be attributed to the fact that Nigeria though, heavily reliant on energy, the use of these renewable resources tends to be negligible and this might be a major factor in the result gotten by the study. Thus, we recommend that policies should focus more on increasing the use and efficiency of this renewable energy. Investing in renewable energy should be encouraged and enhanced as this may be a way to reduce domestic fossil fuel consumption or to meet increasing energy demand without an increase of domestic fuel consumption to increase fuel exports and thus for higher revenues as well as enhance economic growth.

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Appendix: Unit Root Test Results

LNDRGDP Unit Root Test Result at Level

Null Hypothesis: LOGRGDP has a unit root
Exogenous: Constant
Lag Length: 1 (Automatic - based on SIC, maxlag=6)

<table>
<thead>
<tr>
<th>t-Statistic</th>
<th>Prob.*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Augmented Dickey-Fuller test statistic</td>
<td>-1.122466</td>
</tr>
</tbody>
</table>

Test critical values:
- 1% level: -3.724070
- 5% level: -2.986225
- 10% level: -2.632604


Augmented Dickey-Fuller Test Equation
Dependent Variable: D(LOGRGDP)
Method: Least Squares
Date: 08/05/18   Time: 10:06
Included observations: 25 after adjustments

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOGRGDP (-1)</td>
<td>-0.014520</td>
<td>0.012936</td>
<td>-1.122466</td>
<td>0.2738</td>
</tr>
<tr>
<td>D (LOGRGDP (-1))</td>
<td>0.786178</td>
<td>0.172513</td>
<td>4.557208</td>
<td>0.0002</td>
</tr>
<tr>
<td>C</td>
<td>0.161659</td>
<td>0.131118</td>
<td>1.232924</td>
<td>0.2306</td>
</tr>
</tbody>
</table>

R-squared | 0.497502 | Mean dependent var | 0.050545 |
Adjusted R-squared | 0.451820 | S.D. dependent var | 0.034892 |
S.E. of regression | 0.025834 | Akaike info criterion | -4.362087 |
Sum squared resid | 0.014683 | Schwarz criterion | -4.215822 |
Log likelihood | 57.52609 | Hannan-Quinn criterion | -4.321520 |
F-statistic | 10.89064 | Durbin-Watson stat | 2.079293 |
Prob(F-statistic) | 0.000516 |

LNDRGDP Unit Root Test Result at First Difference

Null Hypothesis: LOGRGDP has a unit root
Exogenous: Constant
Lag Length: 1 (Automatic - based on SIC, maxlag=6)

<table>
<thead>
<tr>
<th>t-Statistic</th>
<th>Prob.*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Augmented Dickey-Fuller test statistic</td>
<td>-1.122466</td>
</tr>
</tbody>
</table>

Test critical values:
- 1% level: -3.724070
- 5% level: -2.986225
- 10% level: -2.632604


Augmented Dickey-Fuller Test Equation
Dependent Variable: D(LOGRGDP)
Method: Least Squares
LNRGDP Unit Root Test Result at Second Difference

Null Hypothesis: D(LOGRGDP) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=5)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>D (LOGRGDP (-1))</td>
<td>-0.299835</td>
<td>0.155431</td>
<td>-1.929053</td>
<td>0.0662</td>
</tr>
<tr>
<td>C</td>
<td>0.014863</td>
<td>0.009473</td>
<td>1.568993</td>
<td>0.1303</td>
</tr>
</tbody>
</table>

R-squared: 0.139262
Mean dependent var: 0.000417

Prob(F-statistic): 0.1303

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(LOGRGDP, 2)
Method: Least Squares
Date: 08/05/18 Time: 10:14
Included observations: 25 after adjustments

LNDRGDP Unit Root Test Result at Level

Null Hypothesis: LOGDRGDP has a unit root
Exogenous: Constant
### LNDRGDP Unit Root Test Result at First Difference

Null Hypothesis: D(LOGDRGDP) has a unit root  
Exogenous: Constant  
Lag Length: 0 (Automatic - based on SIC, maxlag=5)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOGDRGDP (-1)</td>
<td>-0.286348</td>
<td>0.146919</td>
<td>-1.949016</td>
<td>0.0648</td>
</tr>
<tr>
<td>C</td>
<td>2.119815</td>
<td>1.069174</td>
<td>1.982666</td>
<td>0.0606</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.153180</td>
<td>Mean dependent var</td>
<td>0.064842</td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.112855</td>
<td>S.D. dependent var</td>
<td>0.902959</td>
<td></td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.850483</td>
<td>Akaike info criterion</td>
<td>2.596916</td>
<td></td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>15.18974</td>
<td>Schwarz criterion</td>
<td>2.695655</td>
<td></td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-27.86453</td>
<td>Hannan-Quinn criter.</td>
<td>2.621748</td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>3.798662</td>
<td>Durbin-Watson stat</td>
<td>2.214683</td>
<td></td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.064777</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Augmented Dickey-Fuller Test Equation

Dependent Variable: D(LOGDRGDP)  
Method: Least Squares  
Date: 07/31/18   Time: 10:01  
Sample (adjusted): 1993 2015  
Included observations: 23 after adjustments

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOGDRGDP (-1)</td>
<td>-1.286779</td>
<td>0.217789</td>
<td>-5.908384</td>
<td>0.0001</td>
</tr>
</tbody>
</table>


### Augmented Dickey-Fuller test statistic

<table>
<thead>
<tr>
<th>Test critical values:</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% level</td>
<td>-3.752946</td>
<td>0.0001</td>
</tr>
<tr>
<td>5% level</td>
<td>-2.998064</td>
<td></td>
</tr>
<tr>
<td>10% level</td>
<td>-2.638752</td>
<td></td>
</tr>
</tbody>
</table>

LNREC Unit Root Test Result at Level

Null Hypothesis: LOGREC has a unit root
Exogenous: Constant
Lag Length: 2 (Automatic - based on SIC, maxlag=5)

<table>
<thead>
<tr>
<th>t-Statistic</th>
<th>Prob.*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Augmented Dickey-Fuller test statistic</td>
<td>1.227719</td>
</tr>
</tbody>
</table>

Test critical values:
- 1% level: -3.752946
- 5% level: -2.998064
- 10% level: -2.638752


Augmented Dickey-Fuller Test Equation
Dependent Variable: D(LOGREC)
Method: Least Squares
Date: 07/31/18   Time: 10:04
Sample (adjusted): 1993 2015
Included observations: 23 after adjustments

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOGREC (-1)</td>
<td>0.011363</td>
<td>0.009255</td>
<td>1.227719</td>
<td>0.2345</td>
</tr>
<tr>
<td>D (LOGREC (-1))</td>
<td>0.639409</td>
<td>0.209136</td>
<td>3.057382</td>
<td>0.0065</td>
</tr>
<tr>
<td>D (LOGREC (-2))</td>
<td>-1.074996</td>
<td>0.362014</td>
<td>-2.969491</td>
<td>0.0079</td>
</tr>
<tr>
<td>C</td>
<td>-0.028041</td>
<td>0.024769</td>
<td>-1.132111</td>
<td>0.2717</td>
</tr>
</tbody>
</table>

R-squared 0.389194  Mean dependent var 0.001799
Adjusted R-squared 0.292751  S.D. dependent var 0.000567
S.E. of regression 0.000477  Akaike info criterion -12.30128
Sum squared resid 4.32E-06  Schwarz criterion -12.10380
Log likelihood 145.4647  Hannan-Quinn criter. -12.25161
F-statistic 4.035480  Durbin-Watson stat 1.920661
Prob(F-statistic) 0.000009

LNREC Unit Root Test Result at First Difference

Null Hypothesis: D(LOGREC) has a unit root
Exogenous: Constant
Lag Length: 1 (Automatic - based on SIC, maxlag=5)

<table>
<thead>
<tr>
<th>t-Statistic</th>
<th>Prob.*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Augmented Dickey-Fuller test statistic</td>
<td>1.227719</td>
</tr>
</tbody>
</table>

Test critical values:
- 1% level: -3.752946
- 5% level: -2.998064
- 10% level: -2.638752

Augmented Dickey-Fuller test statistic: -4.464511

Test critical values:
- 1% level: -3.752946
- 5% level: -2.998064
- 10% level: -2.638752


Augmented Dickey-Fuller Test Equation
Dependent Variable: D(LOGREC,2)
Method: Least Squares
Date: 07/31/18   Time: 10:09
Sample (adjusted): 1993 2015
Included observations: 23 after adjustments

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>D (LOGREC (-1))</td>
<td>-1.273721</td>
<td>0.285299</td>
<td>-4.464511</td>
<td>0.0002</td>
</tr>
<tr>
<td>D (LOGREC (-1),2)</td>
<td>0.846448</td>
<td>0.314396</td>
<td>2.692301</td>
<td>0.0140</td>
</tr>
<tr>
<td>C</td>
<td>0.002361</td>
<td>0.000543</td>
<td>4.351472</td>
<td>0.0003</td>
</tr>
</tbody>
</table>

R-squared: 0.516102
Mean dependent var: 1.36E-06
S.D. dependent var: Mean dependent var: 1.36E-06
S.E. of regression: 4.67E-06
Sum squared resid: 144.5867
Log likelihood: 10.66533
Prob(F-statistic): 0.0000704

Augmented Dickey-Fuller test statistic: -2.245140

Test critical values:
- 1% level: -3.788030
- 5% level: -3.012363
- 10% level: -2.646119


Augmented Dickey-Fuller Test Equation
Dependent Variable: D(LOGREC,3)
Method: Least Squares
Date: 08/05/18   Time: 10:52
Sample (adjusted): 1996 2016
Included observations: 21 after adjustments

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>D (LOGREC (-1))</td>
<td>-5.680511</td>
<td>2.530137</td>
<td>-2.245140</td>
<td>0.0392</td>
</tr>
<tr>
<td>D (LOGREC (-1),2)</td>
<td>4.330199</td>
<td>2.416667</td>
<td>1.791807</td>
<td>0.0921</td>
</tr>
<tr>
<td>D (LOGREC (-2),3)</td>
<td>3.763999</td>
<td>2.420763</td>
<td>1.554881</td>
<td>0.1395</td>
</tr>
<tr>
<td>D (LOGREC (-3),3)</td>
<td>3.305585</td>
<td>1.772017</td>
<td>1.865437</td>
<td>0.0806</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>0.001254</td>
<td>0.002397</td>
<td>0.523216</td>
</tr>
<tr>
<td>--------------------------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.818292</td>
<td>Mean dependent var</td>
<td>-0.000988</td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.772865</td>
<td>S.D. dependent var</td>
<td>0.018323</td>
<td></td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.008732</td>
<td>Akaike info criterion</td>
<td>-6.439329</td>
<td></td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>0.001220</td>
<td>Schwarz criterion</td>
<td>-6.190633</td>
<td></td>
</tr>
<tr>
<td>Log likelihood</td>
<td>72.61295</td>
<td>Hannan-Quinn criter.</td>
<td>-6.385355</td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>18.01338</td>
<td>Durbin-Watson stat</td>
<td>1.954562</td>
<td></td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.000009</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The contribution of airport retail to total airport revenues

Sumayyah Akoodie
C. E. Cloete
Department of Construction Economics, University of Pretoria
Pretoria, South Africa

Keywords
Airport, airport revenues, aeronautical revenues, non- aeronautical revenues, retail, airport retail, retail concessions

Abstract

**Purpose:** Airports globally are facing pressure on income from aeronautical fees and are placing increasing importance on non-aeronautical sources of revenue. The largest contributions to non-aeronautical revenues are from retail, parking, and property sources. Airport operators generally aim to increase non-aeronautical revenue to fifty percent of total revenues, to compensate for the risk of a decline aeronautical revenues. This study analyses the change in airport revenues for the past decade and the correlating growth of airport retail income of the Airports Company of South Africa (ACSA), which is the largest airport authority in Africa.

**Methodology:** An analysis of the financial statements and integrated reports of the Airports Company of South Africa (ACSA), was undertaken for the financial years 2010/11 to 2018/19.

**Findings:** The results indicate that although non-aeronautical revenues of ACSA have been increasing during the period of analysis, its contribution to total revenue still lags slightly behind aeronautical revenues. A strong positive correlation was found to exist between other non-aeronautical sources of revenue and airport retail growth.

**Practical implications:** ACSA can further increase its total revenues by expanding the scope of retail operations at the nine airports under its jurisdiction, to approximate an equal contribution to aeronautical revenues. It is recommended that further research be undertaken to extend the scope of the study by increasing the period of analysis and by including other airport owners and operators in South Africa.

Acknowledgement

The second author (Chris Cloete) acknowledges the financial support of the South African Council of Shopping Centres through endowment of the SACSCC Chair in Shopping Centre Studies at the University of Pretoria.

Introduction

Airports are generally considered one of the most complex systems in modern society (Kazda and Caves, 2007; Kraal, Popovic and Kirk, 2009). The main objective of an airport is to bring together people, processes, technology, government agencies, private companies, spaces, artefacts and information in order to allow for flights to depart and arrive on schedule (Kazda and Caves, 2007; Kraal et al. 2009). Airports further serve as vital sources of income to both developed countries and developing countries (Tourism Forecasting Committee, 2011). Due to the current financial decline in world economies, it is regarded as important to maintain or improve the income from the airport industry (London First, 2008).

Literature review

**Revenue Sources for Airport Operations**

Airport revenues comprise of aeronautical as well as non-aeronautical revenue sources (Graham, 2013). Aeronautical revenue sources include landing fees, charges for air traffic control services, aircraft parking, passenger charges, cargo charges and charges for aircraft handling (Heyes, 2014). Non-aeronautical revenue sources, on the other hand, include rent, utility charges, concessions, airport shops, interest, and real estate (Heyes, 2014).

**Changes in Airport Revenues**

From the mid-1990’s, airports began to focus on non-aeronautical revenues. (Francis, Humphreys & Ison, 2004; Bilotkach, Clougherty, Mueller & Zhang, 2012; Graham, 2009; Fuerst, Gross, & Klose, 2011).
Non-aeronautical areas have become a primary source of revenue for airports, as on average, the commercial revenues account for approximately half of all airport revenue (Moodie, 2007; Graham, 2009).

**Case studies examining airport revenues**

A number of studies of airport revenues and revenue resources had been undertaken (Doganis, 1992; Wells & Young, 2004; Graham, 2008; Asford et al., 2011; De Neufville et al., 2013; Gillen and Martin, 2014; Francis et al., 2004; Bilotkach, Clougherty, Mueller & Zhang, 2012; Graham, 2009; Fuerst et al., 2011; Battal & Bakir, 2017; Zhang & Zhang, 1997; Niemeier, 2002; Czerny, 2006; Saounatsos, 2007; Fuerth & O’Connell, 1999).

Van Denver (2007) established that non-aeronautical revenues of fifty-five (55) major US airports were more than half of all incomes between 1998 and 2002. This is supported by Appold & Kasarda (2006), Moodie, (2007) and Graham (2008, 2009) who concluded that non-aeronautical revenues have increased to, on average, half of all airport revenues. However, this ratio varies by global region.

Aeronautical revenues and non-aeronautical revenues of five of Europe’s busiest airports in terms of number of passengers were analysed by means of vertical percentage analysis and trend analysis method (Battal & Bakir, 2017). The five airports have significantly increased both aeronautical revenues and non-aeronautical revenues. However, the ratio tended to decrease over the years (Battal & Bakir, 2017).

Fuerst et al. (2011), in a study of aeronautical revenues and the amount of non-aeronautical revenues per passenger of the leading Europe airports concluded that the aeronautical revenue per passenger was higher in busier airports.

The revenue structure varies per continent and even per country or per airport (Battal & Bakir, 2017). For instance, the proportion of non-aeronautical revenues accounts for more than half of the total revenues at airports in North America, Africa and the Middle East, 46-48% in all revenues in the Asia-Pacific and about 30% in Latin America (Battal & Bakir, 2017). Rimmer (2011) states that non-aeronautical revenue sources account for 47% of the total airport revenues. Non-aeronautical sources now generate between 35% and 40% of the total airport revenues (Kramer, Landau, Letwin & Moroney, 2015). Oum, Adler and Yu (2006) further indicate that the share of non-aeronautical revenues are much higher than aeronautical revenues in the private airports.

Among the non-aeronautical revenues composed of many activity items, the most important sources are retail sales, contributing 22% of the total income, real estate contributing 19% and car park revenues contributing 18% (Graham, 2008; Fuerst et al., 2011).

**Importance of Non-Aeronautical Revenue Sources**

Airports have started to actively develop their share of non-aeronautical revenues (Bohl, 2013). A number of researchers have stressed the increasing importance of non-aeronautical or commercial revenues for airports (Papagiorcopulo, 1994; Freathy & O’Connel, 2000; Graham, 2003; Francis et al., 2004; Graham, 2008). According to Freathy (2004), the objective for many airport authorities has been to reposition the airport to become a commercial attraction in its own right, instead of merely offering limited assortment, price-based, branded products. This is achieved by segmenting the customer base and providing a focused range of shopping facilities, which then provides a consistent income stream for the retailer and the airport authority (Freathy, 2004). By allocating more space to services and retail, airports are able to generate more income (Bearingsdottir, 2019).

The share of non-aeronautical revenues of total airport revenues is directly proportional to passenger numbers, as shopping, catering, and car-parking facilities are extended with increasing passenger numbers (Bohl, 2013). Industry data suggests that this share typically grows to approximately 40-50% of total income once airports have reached 8-10 million passengers annually (Bohl, 2013).

With airport revenues having shown a large improvement with commercialisation (Francis et al., 2004), airport managers are required to actively to look for new business models that are designed to capitalise on non-aeronautical revenue sources (Heyes, 2014).

**Contributions to Non-Aeronautical Revenue**

Retail concessions remain the largest source of non-aeronautical revenue for airports, contributing 30.2% to airports non-aeronautical revenue (ACI, 2019). Car parking revenue and property revenue and
rent are the second and third largest sources of non-aeronautical revenues, comprising 20.1% and 15.0%, respectively (ACI, 2019).

**Growth of Airport Retail**

Since its introduction in the 1940’s, both the physical presence and the financial importance of the retail environment within the airport industry have substantially increased (Freathy and O’Connell, 1999; Newman and Lloyd-Jones, 1999; Omar, 2001). The airport retail market is now considered to be a distinct market (Livingstone, 2014). It differs from non-airport retail markets, for example shopping centres, in that it contains a wide variety of both traditional shopping outlets as well as specific airport and travel-related outlets (Livingstone, 2014).

Formerly airports comprised of limited dining, retail, and convenience options post the security check-in (Crawford and Melewar, 2003). The airport environment is largely driven by unique geographical constraints: it contains “ground-side” and “air-side” environments (Herring, 2002). The addition of increased security measures in recent years further allowed airports to capitalise on the retail opportunities, since passengers were required to arrive at airports earlier (Tymkiw, 2016). This led to longer waiting times at terminal gates, hence increased discretionary periods for passengers and greater opportunities for airport retail (Rowley & Slack, 1999). Thus, airports began by transforming the retail environment to that of shopping centres. These expanded shopping areas often include a mix of high-end retail shops, spas, hotels, and other amenities (Tymkiw, 2016).

The airport environment now serve as an important space within which passengers are able to utilise their discretionary time (Rowley and Slack, 1999), with retail amongst the activities that passengers can undertake.

**Methodology**

Airports Company South Africa SOC Ltd (ACSA) is the largest airport authority in Africa. Founded in 1993, ACSA operates nine of South Africa’s airports, including O. R. Tambo International. ACSA has two distinct revenue streams, which have generated similar income for the past few years. One source is defined as aeronautical income and is derived from regulated charges or tariffs. These consist of aircraft landing and parking charges, and passenger service charges. The non-aeronautical income is generated from commercial undertakings and flows from retail operations, car parking, car rental concessions, advertising, property leases and hotel operations.

Data collection involved the collection of the annual financials and integrated reports of ACSA for the ten financial years from 2009/10 to 2018/19.

These annual financials of the company were analysed to compare aeronautical revenue, with non-aeronautical revenue, to establish the possible growth trends of revenues and airport retail.

**Results**

**Contribution of Non-Aeronautical Sources of Revenue Relative to Aeronautical Sources in Airport Operations**

The revenue composition of aeronautical and non-aeronautical revenues for ACSA is depicted in Figure 1. As also illustrated by the trend lines in Figure 2, non-aeronautical revenues contributed more to airport revenue than aeronautical revenues in FY 2009/10. However, since FY 2010/11 aeronautical revenues have contributed more than non-aeronautical revenues to the total airport revenue. The non-aeronautical revenue contribution to total airport revenue witnessed a decline from FY 2010/11 to FY 2012/13, however, the non-aeronautical revenue contribution to total revenue stabilised at 36%-37% to FY 2016/17. The strategy by ACSA to enhance non-aeronautical revenue is however evident from FY 2017/18, where non-aeronautical revenue contribution increased significantly and at present slightly lags behinds the aeronautical revenue contribution to total airport revenue by 5%-6%.
Composition of Airport Revenues

<table>
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<tr>
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Figure 1: FY 2009/10 to FY 2018/19 Revenue Composition

Growth Trend of Non-Aeronautical Sources of Revenue Relative to Aeronautical Sources in Airport Operations

The year on year growth of non-aeronautical and aeronautical revenues for ACSA are depicted in Figure 3. Non-aeronautical revenue is characterised by a more stable growth line than that of non-aeronautical revenue. The volatility of the latter is largely due to the regulatory constraints which impact on aeronautical revenues, and subsequently aeronautical revenue growth.

Figure 2: FY 2009/10 to FY 2018/19 Revenue Composition Movement

Figure 3: FY 2009/10 - FY 2018/19 Airport Revenues Y/Y Growth
For the financial year’s FY 2009/10 to FY 2016/17, a directly proportional growth between aeronautical and non-aeronautical revenue exists. Exceptions however occur in FY 2013/14, FY 2017/18, and FY 2018/19 where an inversely proportional growth was found.

It must be highlighted that a change in tariffs in 2017/18 resulted in a significant decrease in aeronautical revenues. However, non-aeronautical revenue subsequently witnessed growth due to increase passenger traffic driven by the lower tariffs.

The year-on-year growth variance of aeronautical and non-aeronautical revenues is depicted in Figure 4.

![Composition of Airport Revenues: Y/Y Growth Variance](image1)

**Figure 4: FY 2009/10 - FY 2018/19 Airport Revenues Y/Y Growth Variance**

It is evident that the year-on-year growth of aeronautical and non-aeronautical revenues is for the most part directly proportional, however, the extent of the variance year on year varies.

**Contribution of Airport Retail or Retail Concessions to Non-Aeronautical Sources of Revenue Sources**

The contribution of the airport retail or retail concessions is depicted in Figure 5.

![Composition of Non-Aeronautical Revenues](image2)

**Figure 5: FY 2009/10 - FY 2018/19 Non-Aeronautical Revenue Composition**

The retail segment has been the largest contributor to non-aeronautical revenues since FY 2009/10, as detailed in Figure 6. The minimum contribution in any given year stands at 33% with the maximum contribution being 37%.
As also illustrated in Figure 7, the retail contribution to non-aeronautical revenue remained at 33% for three successive years after which its contribution peaked to 37% in FY 2012/13. This increased contribution was short lived as the retail contribution decreased to 35% for two successive years. The retail contribution to non-aeronautical revenue since FY 2015/16 has stabilised to 36%-37%.

Growth of Airport Retail in Relation to other Non-Aeronautical Revenue Sources

The year on year growth of airport retail or retail concessions and the remaining sources of non-aeronautical revenue for ACSA is detailed graphically in Figure 8.

For financial years FY 2010/11 to FY 2018/19, directly and indirectly proportional growth exists...
over the various years.

The year on year growth variance of retail concessions and non-aeronautical revenues is detailed accordingly with the extent of the growth variance detailed graphically in Figure 9.

![Figure 9: FY 2009/10 - FY 2018/19 Retail and Other Non-Aeronautical Sources Y/Y Growth Variance](image)

**Correlating Growth of Retail to Aeronautical, Non-Aeronautical and Total Revenues**

The correlation between the growth of retail concessions and aeronautical revenue exhibits a co-efficient (R) of 0.7391, representing a moderate positive correlation.

The correlating growth between retail concessions and other sources aeronautical revenue in terms of Pearson’s Correlation exhibits a co-efficient (R) of 0.9707 representing a strong positive correlation.

The correlating growth between retail concessions and other sources of aeronautical and non-aeronautical revenue in terms of Pearson’s Correlation exhibits a co-efficient (R) of 0.8392 representing a strong positive correlation.

**Discussion**

**Aeronautical versus Non-Aeronautical Sources of Revenue**

ACSA obtains its revenues from aeronautical and non-aeronautical revenue sources (ACSA, 2019). This is in line with airports operations globally Graham, 2003; Graham, 2008; Graham, 2013; Doganis, 1992; Carlisle, 2015; Freathy & O’Connel, 2000).

Landing fees, passenger service charges and aircraft parking charges constitute the aeronautical revenue of ACSA (ACSA, 2019). Non-aeronautical revenue sources relate to commercial revenues and include terminal area concessions, car parking areas, airline leased areas and other leased facilities (Doganis, 1992). Retail, advertising, parking, car hire, property rental, hotel operations, recoveries and other (permits and airport management services) constitute the aeronautical revenue of ACSA (ACSA, 2019).

**Contribution of Non-Aeronautical Sources of Revenue relative to Aeronautical Sources of Revenues in Airport Operations**

The volatility in the airline industry has made it difficult for airport operators to rely exclusively on aeronautical sources of revenue (Everett, 2014), hence non-aeronautical revenues are now becoming a primary source of revenue for airports (Moodie, 2007; Graham, 2009). The revenue structure varies per continents and even per country or per airport (Battal & Bakir, 2017). The share of non-aeronautical revenues as a proportion of total revenues have increased over the years (Oum, Adler & Yu, 2006). On average, however, the commercial revenues account for approximately half of all airport revenue (Moodie, 2007; Graham, 2009).

ACSA has increased its non-aeronautical revenue contribution to total revenue from 36%-37% since FY 2012/13 to 47-48% in the past two financial years. This increase in non-aeronautical revenue contribution is in line with the Group’s strategy and the strategies of majority of airports globally (ACSA, 2019).

**Growth Trend of Non-Aeronautical Sources of Revenue relative to Aeronautical Sources of Revenues in Airport Operations**

A transition in the airport business model has been evidenced (Kramer, 2010). In the 1970’s, airports provided infrastructure services to support services and airlines whilst in the 1980’s and largely from the
mid-1990’s, airports began place to focus on non-aeronautical revenue sources (Kramer, 2010). As airports began to develop a significant amount of non-aeronautical services, they began to gain a large share of revenues from the non-aviation industry (Klos, 2014). The share of non-aeronautical revenues of total airport revenues was directly proportional to passenger numbers, as shopping, catering, and car-parking facilities are expanded with increasing passenger numbers (Bohl, 2013).

ACSA evidenced a predominantly directly proportional relationship between aeronautical revenue and non-aeronautical revenue. As aeronautical revenues achieved growth, non-aeronautical revenues achieved growth and vice versa. The extent of the growth however varied year on year.

**Contribution of Airport Retail or Retail Concessions of Revenue relative to Non-Aeronautical Sources of Revenues in Airport Operations**

Among the non-aeronautical revenues, the most important sources are retail sales, real estate, and car park revenues (Graham, 2008; Fuerst et al., 2011). Published results by ACI (2019) indicates that retail concessions remain the largest source of non-aeronautical revenue for airports contributing 30.2% to airports non-aeronautical revenue. Car parking revenue and property revenue and rent are the second and third largest sources of non-aeronautical revenues comprising 20.1% and 15.0% of airports non-aeronautical revenues, respectively (ACI, 2019).

ACSA in line with airports globally has seen its retail segment being the largest contributor to non-aeronautical revenues since FY 2009/10, with the contribution ranging between 33% and 37%. Since FY 2015/16, the retail contribution to non-aeronautical revenue has stabilised to 36%-37%. The contribution of airport retail to non-aeronautical revenue is however 6%-7% higher than the average retail contribution of 30%

**Contribution of Airport Retail or Retail Concessions in relation to Non-Aeronautical Sources of Revenues**

The last five years has seen airport retail report an average annual sales growth of 14% (including duty-free and duty-paid sales) (Little, 2009). This was due mainly by the strategy of airports to develop non-aeronautical revenues. In order to secure a targeted return on investment, airports now aim to achieve 50% of revenues from non-aeronautical sources, with retail representing the main source. As a result, airports have increased the space dedicated to duty-free shops significantly (Little, 2009). ACSA has experienced a similar growth in airport retail. It has evidenced direct and indirect proportional growth of airport retail in relation to other sources of non-aeronautical sources of revenue during the last 8-10 years.

**Correlating growth of Airport Retail or Retail Concessions of Revenue relative to Aeronautical, Non-Aeronautical and Total Revenues**

The efforts of airports to develop revenue from non-aeronautical sources have been driven strongly by growth in the airport retail sector. The sector will become more strategic as the decline in air traffic forces airports to reduce their dependency on airline fees (Little, 2009).

The financial statements of ACSA exhibit a positive correlation growth between airport retail revenues and aeronautical revenues, non-aeronautical revenues (excluding retail revenue); and total revenues (excluding retail revenue), respectively.

The correlation with aeronautical revenue is moderately positive, with a strong positive correlation with non-aeronautical revenue (excluding retail) and with total revenue (excluding retail).

**Future research**

Airport revenue composition has changed over the last few years with increasing focus on non-aeronautical revenues. Retail or retail concessions globally is the largest contributor to non-aeronautical revenues. A strong positive correlation exists between airport retail and other non-aeronautical sources of revenue. It is recommended that future research be extended to include other airports not owned and operated by ACSA; that the temporal boundary of the study be extended to the inception of ACSA to obtain a truly historical analysis of airport revenue composition and growth; and that the study be expanded to determine the per passenger growth of airport retail.

**References**

non-aeronautical-revenues-for-airports-financial-sustainability/ [Accessed 13/07/2019]


Tourism Management, 36, 66–76.
Do legal origins impact infant mortality?  
Evidence from sub-Saharan Africa

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Keywords  

Abstract  
This study investigates the possible link between the legal origins of 27 sub-Saharan African countries and the health status of the population proxied by infant mortality rates (IMR). IMR is broken down into three categories: neonatal mortality, post-neonatal mortality, and infant mortality. The data is collected through the Demographic Health Survey DHS. Further corresponding geospatial covariates are being used to implement a Regression Discontinuity design (RD) depicting the impact of civil and common law on the three categories of IMR. The RD framework entails comparing the child mortality of the individuals close to the borders of another country with a different legal origin. Additional regression tables are estimated to compare their results with that of the RD. Both the RD and the table results provide enough evidence that post-neonatal and infant mortality are more abundant under civil law regimes than under common law ones signaling at better general health conditions under the latter. However, neonatal mortality does not seem to be impacted by legal origins.

Introduction  
According to the recently declared universal agenda of the Sustainable Development Goals (SDGs), there is an emphasis on controlling the worldwide infant mortality phenomena by 2030 (Child Survival SDG). However, the United Nations Children’s Fund predicted that around two-thirds of sub-Saharan African countries are at a high risk of not meeting these goals (UNICEF). Following the declarations of the UNICEF, questions are raised about possible root causes that might lead to the highly prevalent infant mortality rates in the sub-Saharan African countries. More specifically, these questions pertain to the role of institutions in the persistence of the high child mortality rates in this African region. Infant mortality rates (IMR) have been considered as indicator of the population health. However, they were criticized for giving a narrow idea about the health of the people. According to Reidpath and Allotey (2003) IMR of a country give an overview of the health conditions of not just the children but also the whole population. Consequently, using IMR in this study stems from 2 main considerations: the first, is that infant mortality is a major problem in sub-Saharan Africa in the realm of the underdevelopment of this region. The second is that IMR is a valid signal of the overall well-being of the population in each state. In this regard, the proposed research paper is focusing on sub-Saharan African countries to examine the possible linkage between legal institutions and infant mortality.

The main added-value to the literature of the legal system and health outcomes is basically that this is the first micro-level study that focuses on the individual-level impact of the colonial legal institutions on the child mortality phenomena as an index of the public health status of the people. This study makes use of the Demographic Health Survey (DHS), their geospatial covariates and the Ethnographic Atlas data to find a plausible answer to the research question. The empirical strategy consists of running Regression Discontinuity design (RD) graphs and regression tables that aim at comparing the outcome variables of the individuals along the national borders of the 27 sub-Saharan African countries that have different legal origins. As per the results, it can be inferred that the health outcomes of the individuals are generally better under a common law regime rather than a civil law one unlike what is claimed by the macro-level studies.

Related literature  
There are two main types of legal institutions in African countries - according to whether their former colonizer was French or English- namely civil and common law. The civil law originated from the French
legal system while the common law emerged from that of the English. These legal origins have an influence on the institutions and the economic outcomes of the states persisting up until today, long after sub-Saharan Africa regained its independence. La Porta, R., Lopez-de-Silanes, F., and Shleifer, A. (2008) state that these two types of legal institutions coexist in the sub-Saharan African countries and managed to have an impact on the economic outcomes of the people living in this region. Acemoglu and Johnson (2003) were the first to disentangle the link between legal institutions and economic outcomes in terms of the citizens’ property rights under a legal framework protecting them against expropriation by the government or elites. Additionally, La Porta, R., Lopez-de-Silanes, F., and Shleifer, A. (2008) as well as Michalopoulos and Papaioannou (2013) postulate that there is a link between legal institutions and the regional development of the states at the macro-level. Michalopoulos and Papaioannou (2013) attempt to interpret the role of the pre-colonial ethnic institutions in shaping the regional development within African countries. Their results signal that the more centralized and hierarchical the pre-colonial institutions were, the higher the regional development was.

Scanlon (2016) introduced a new feature in the investigation of the various impacts of the legal origins through analyzing the health outcomes of the legal institutions at the macro level. Scanlon (2016) results provide enough evidence supporting the premises that citizens under civil law countries have better health outcomes in terms of immunization, sanitation, pregnancy, and infant mortality. The main takeaway from these results is that better health outcomes in countries with civil law regimes are thanks to the decentralization of government expenditure on health following the colonial rule.

Heaton (2015) further investigates a micro-level stream of the health outcomes and legal origins literature documenting that women’s social and economic empowerment through legal institutions will not only affect them, but will also have a positive impact on the health status of their children. Anderson (2018) attempts to find if the existent legal institutions have an impact on the disease outcomes of the individuals, her results show that HIV prevalence rates in females are much higher in common law countries than in civil law ones. The driver of the higher HIV infection rates among females in common law countries is the low level of woman empowerment. In fact, Hallward-Driemeier and Hasan (2012) demonstrate that under common law, there is a separate ownership of assets following the British common law system, that formally approves the "Married Women's Property Act" of 1882. However, under civil law, there is a high protection of women in case of divorce and a joint ownership of property between married couples. Anderson (2018) rests on these differences to demonstrate the idea that given women’s rights under civil law, they are more empowered compared to women under common law. Women under civil law are have a high bargaining power in the household and ask for safer sexual practices which protects them against HIV infection.

In this context, the main question investigated in this research paper is whether the legal origins of the sub-Saharan African countries have an impact on the prevalence of infant mortality rates. The main premise of this research is the fact that there are intrinsic differences between countries that adopt common law based on Anderson (2018) findings and Hallward-Driemeier and Hasan (2012) literature. This study is complementary to the literature of Anderson (2018) and Scanlon (2016) since Anderson was focusing on the HIV incidence specifically without much attention to the general public health outcomes of the individuals while Scanlon (2016) looks at the general health outcomes at the macro level to have a comprehensive overview of the impact of legal origins on health outcomes. The intended contribution to the literature in this study entails examining the health outcomes of the legal origins at the micro-level since the literature only provides them at the macro-level.

**Empirical strategy**

**Common Law without Interaction Terms**

Following Anderson (2018), 27 countries will be investigated in this study. As per Michalopoulos and Papaioannou (2013) as well as Anderson (2018), this paper will follow a Regression Discontinuity design (RD) framework where the focus will be on country pairs with dissimilar legal origins. The individuals living close to national frontiers of a country with a different legal origin will be compared: individuals under civil law are part of the control group while those under common law are considered as the treatment group. The RD framework is presented in the following regression:
\[ Y_{rcep} = a_0 + a_1 l_{rc} + a_2 X_{rc} + a_3 X_{rcep} + a_4 X_{rcep} + f(BD_{rcep}) + \sigma_e + \gamma_r + \theta_t + \epsilon_{rcep} \]

The dependent variable will be a binary outcome indicating if the child is alive or not for children living in region \( r \), country \( c \) and pixel \( p \). There will be three types of dependent variables examined according to the age the child at death: neonatal, post-neonatal and infant. \( L_n \) is a dummy that is equal to one to indicate a common law system while \( X_c \) are there to capture the region and the country level characteristics such as the geographic, demographic, environmental, and disease characteristics. Additional pixel level controls \( X_{rcep} \) are included such as population density, malaria prevalence, light intensity, the distance to the national border, to the sea and the capital per each region, country, ethnicity, and pixel. A set of individual-level controls \( X_{rcep} \) for both the mother and the child are added such as the mother’s age during childbirth, her education level. The child control variables are mainly the birth order of the child and the birth interval between the children and their siblings. The variable \( \sigma_e \) controls for ethnicity-level characteristics such as the inheritance rules, the style of marriage (monogamous or not) and the jurisdictional setting within ethnicities. Moreover, a second-order RD polynomial \( f(BD_{rcep}) \) is added to account for the distance between the centroid of every pixel and the closest national frontier. The variable \( \gamma_r \) indicates the region fixed effect; if the sub-Saharan African country belongs to southern, central, western, or eastern region. There is a year dummy \( \theta_t \) to capture the different years of the surveys. The RD framework is intended to provide the causal impact of legal origins on the three levels of child mortality. In a nutshell, these controls are chosen as they are said have an impact on the spread of child mortality phenomena in the region at the different levels: individual, country and ethnicity.

The results are a set of RD graphs that depict the relationship between legal origins, the variable of interest, and each of the three dependent variables mentioned above. The variable of interest will be the dummy variable that specifies the legal institution—whether it is common or civil law—under which each country falls. This equation will be estimated three times with a different category of child mortality to disentangle the effect of legal institutions on the different levels of child mortality: neonatal, post-neonatal and infant mortality that are proxies of the health stance of the citizens of the sub-Saharan African region. Following this estimation strategy, there will be three separate RD graphs to visualize the estimated relationship between the variable of interest and the dependent variable. It is important to note that the demonstrated RD graphs do not include any time dimensions, they fall under the cross-sectional RD. Because of the nature of this study that incorporates time invariant legal origins, the data is structured in such a way - cross sectional- so as to be able to analyze the effect of the time invariant variable in question that is common law.

**Data**

The data are broken down into four levels: Pixel, Ethnicity, Country, and Individual levels. The focus of this study is on the child mortality incidence of 27 sub-Saharan African countries susceptible to high levels of infant mortality. Therefore, the individual is the unit of analysis in this framework. Among the 27 sub-Saharan African countries studied, 4 have frontier countries with no different legal origins which are Cameroon, Gabon, Mali, Senegal while Lesotho and Madagascar do not have neighbouring countries to begin with according to Anderson (2018).

**Pixel, Ethnicity and Country Level Data**

To implement the RD framework, this study makes use of sub-Saharan African countries characterized by a neighbouring country with a different legal origin as presented in Table-1

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Table 1: Country Pairs of different Legal origins

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<th>Country</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zambia</td>
<td>Namibia</td>
</tr>
<tr>
<td>Zambia</td>
<td>Mozambique</td>
</tr>
<tr>
<td>Swaziland</td>
<td>Mozambique</td>
</tr>
<tr>
<td>Malawi</td>
<td>Mozambique</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>Mozambique</td>
</tr>
<tr>
<td>Sierre Leone</td>
<td>Guinea</td>
</tr>
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<td>Liberia</td>
<td>Guinea</td>
</tr>
<tr>
<td>Kenya</td>
<td>Ethiopia</td>
</tr>
<tr>
<td>Liberia</td>
<td>Ivory Coast</td>
</tr>
<tr>
<td>Ghana</td>
<td>Ivory Coast</td>
</tr>
<tr>
<td>Uganda</td>
<td>Democratic Republic of the Congo</td>
</tr>
<tr>
<td>Zambia</td>
<td>Democratic Republic of the Congo</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Democratic Republic of the Congo</td>
</tr>
</tbody>
</table>

The country level variables are extracted from the Demographic Health Survey (DHS) that is an initiative by the United States Agency for International Development (USAID) in order to keep track of the health stance and the population trends of developing countries (IndexMundi). The variables used in this study emphasize on the type of legal origin the country has, whether it falls under the common law or the civil law regime as per the classification of Anderson (2018). Other variables reflect the overall economic and political circumstances such as the GDP per capita, the different regions where the people reside be it the northern, southern, western, eastern, or central parts of Africa.

The Pixel level variables are acquired from the Ethnographic Atlas that consists of collecting ethnographic information for a number of ethnic groups and has various ethnographic variables as per Michalopoulos and Papaioannou (2013) description. More over, the spatial distribution of the ethnicities is the same and did not change much throughout the years. The main pixel level variables are the existence of diamond mines, of petroleum fields, the elevation of a given ethnicity, the inheritance rules of the real and movable property are also added, the political integration of the ethnicities, their mode of marriage whether it is monogamous or polygamous as well as the jurisdictional hierarchy in each ethnicity. The jurisdictional hierarchy indicates the extent of the complexity of political system in the society beyond the local level. Also, the political centralization variable as in the degree to which the government’s power is concentrated. In this context, the pixels used for the grids will manifest different sizes depending on the latitude and the longitude so the distances in kilometers are approximated.

Individual-Level Data

The individual level data are from the DHS survey that collect data for children under age 5 and women of age 15 to 49 through a number of questionnaires. The women eligible for the survey respond to questions not only related to them as women but also to their maternal health and their birth record such as listing their number of children dead or alive, their sex, their age, birth dates, immunization, child health, and nutrition (Guide to DHS). In addition, some variables are also included to indicate the general household characteristics in this study such as the place of residence to indicate if the child is born in a rural or urban area or born to a poor of a wealthy family which might have an impact their health and on their chances of having access to health care services. The DHS surveys were gathered for the 27 SSA countries covering the period from 1999 to 2014 for each country for a comprehensive analysis. The GPS data at the individual level is obtained from the DHS program Geospatial covariates that allocates to each individual a set of variables such as the average satellite light density and the distance to the national border that reflects the geodesic distance of the centroid of each pixel to the closest international border and the nearest sea as well as the land surface area as well (The DHS Program). The GPS data are allocated to the individual level data which are then merged with that of the ethnicity-country level to conduct this
Results

The descriptive statistics of the 3 levels of the data in table 2 shows the dummy variables of 3 categories of child mortality: infant mortality, post-neonatal and neonatal mortality. The overall number of observations in this data set is 3,781,758. Following Pathania (2014), infant mortality refers to the children who die after reaching 12 months of age, post-neonatal mortality refers to the children who die during 0 to 11 months of age while neonatal mortality refers to children who die exactly at 0 months of age. The infant mortality dummy variable has a higher mean value than the two other types of mortality, of 0.06 while that of post-neonatal and neonatal have mean values of 0.03 each. The average age of mothers during childbirth is 29 years old while that of uneducated mothers is 0.40. The average birth interval of the mothers is around 42 months while the birth order is around 3 children. These individual level variables give a general idea about the overall characteristics of the mothers and the children.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>P50</th>
<th>SD</th>
<th>Min</th>
<th>Max</th>
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<td>Neonatal Mortality</td>
<td>0.06</td>
<td>0.00</td>
<td>0.20</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Postnatal Mortality</td>
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<td>0.00</td>
<td>0.16</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Infant Mortality</td>
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<td>0.00</td>
<td>0.23</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
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<td>1.00</td>
<td>0.50</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Mother's Age</td>
<td>29.00</td>
<td>28.00</td>
<td>7.04</td>
<td>15.00</td>
<td>49.00</td>
</tr>
<tr>
<td>Population Density</td>
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<td>28.95</td>
<td>77.78</td>
<td>0.00</td>
<td>1689.62</td>
</tr>
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<td>5.00</td>
<td>2.03</td>
<td>0.00</td>
<td>8.00</td>
</tr>
<tr>
<td>Marital Composition: Monogamy and Polygamy</td>
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<td>5.00</td>
<td>1.45</td>
<td>0.00</td>
<td>6.00</td>
</tr>
<tr>
<td>Subsistence Economy</td>
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<td>6.00</td>
<td>0.83</td>
<td>1.00</td>
<td>9.00</td>
</tr>
<tr>
<td>Ethnicity</td>
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<td>8.00</td>
<td>38.54</td>
<td>0.00</td>
<td>999.00</td>
</tr>
<tr>
<td>Birth Order</td>
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<td>3.00</td>
<td>2.40</td>
<td>1.00</td>
<td>18.00</td>
</tr>
<tr>
<td>Births Interval</td>
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<td>36.00</td>
<td>25.12</td>
<td>6.00</td>
<td>327.00</td>
</tr>
<tr>
<td>Births for Uneducated Women</td>
<td>0.40</td>
<td>0.00</td>
<td>0.49</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Distance to Capital</td>
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<td>0.47</td>
<td>0.48</td>
<td>0.01</td>
<td>1.88</td>
</tr>
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<td>Distance to Border</td>
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<td>0.06</td>
<td>0.10</td>
<td>0.00</td>
<td>0.54</td>
</tr>
<tr>
<td>Distance to Sea</td>
<td>0.65</td>
<td>0.57</td>
<td>0.47</td>
<td>0.00</td>
<td>1.67</td>
</tr>
<tr>
<td>Malaria suitability</td>
<td>0.84</td>
<td>1.00</td>
<td>0.26</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Diamond Mine</td>
<td>0.14</td>
<td>0.00</td>
<td>0.34</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Petroleum Field</td>
<td>0.01</td>
<td>0.00</td>
<td>0.09</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Land Suitability for Agriculture</td>
<td>0.40</td>
<td>0.35</td>
<td>0.16</td>
<td>0.00</td>
<td>0.98</td>
</tr>
<tr>
<td>Mean Elevation</td>
<td>0.54</td>
<td>0.47</td>
<td>0.40</td>
<td>0.00</td>
<td>2.18</td>
</tr>
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<td>Land Area</td>
<td>17.94</td>
<td>10.50</td>
<td>20.81</td>
<td>0.11</td>
<td>408.99</td>
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<td>0.00</td>
<td>0.17</td>
<td>0.00</td>
<td>1.00</td>
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<td>Region: East</td>
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<td>0.00</td>
<td>0.30</td>
<td>0.00</td>
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<tr>
<td>Region: Central</td>
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<td>1.00</td>
<td>0.50</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>log real per capita GDP</td>
<td>6.63</td>
<td>7.04</td>
<td>0.92</td>
<td>5.07</td>
<td>9.24</td>
</tr>
<tr>
<td>Mean Light Density</td>
<td>0.18</td>
<td>0.02</td>
<td>0.89</td>
<td>0.00</td>
<td>25.14</td>
</tr>
<tr>
<td>DHS Survey Year</td>
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<td>2010.00</td>
<td>4.19</td>
<td>1999.00</td>
<td>2014.00</td>
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<tr>
<td>Anemia</td>
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<td>0.00</td>
<td>0.49</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Diarrhea</td>
<td>0.15</td>
<td>0.00</td>
<td>0.36</td>
<td>0.00</td>
<td>1.00</td>
</tr>
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<td>Observations</td>
<td>3781758</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Descriptive Statistics of the Country and Pixel Level Data

The Regression Discontinuity design (RD) graphs show the results of estimating equation (1) for the three outcome variables: neonatal mortality, post-neonatal and infant mortality. The first RDD figure demonstrates the difference between neonatal mortality under the civil and common law regimes. There seems to be a "jump" along the border of countries with common law regime. This jump illustrates that the neonatal mortality under civil law is much less than that under common law. Nevertheless, figure 2 that has the post-neonatal mortality as the dependent variable shows the same jump as in figure 1 but with an opposite direction; unlike in the case of neonatal mortality, the post-neonatal mortality seemed to be much more prevalent under civil law than under common law. Figure 3 shows the impact of legal origins on infant mortality depicts that there is
little to no jump between the countries with different legal origins thus, there seems to be no effect of legal origins on infant mortality.

As per Table 3, the dependent variable being studied is the neonatal mortality that is the death of a child within the first few weeks of birth. It can be inferred from table 3 that the number of observations
within 200 Km, 150 km and 100 km from the boundaries of another country are 469,488; 424,750 and 358,251 respectively, the number of observations being studied decreases the more we get closer to the national borders. Similarly, the effect of common law that is the variable of interest on child mortality within 200 Km, 150 km, and 100 km from the boundaries of another country are -0.0011, -0.0038 and -0.00339 respectively. In other words, being under a common law regime results in less incidents of neonatal mortality. However, the common law variable is not significant within the different ranges of distances from the border while other variables seemed to have a more important and significant impact on neonatal mortality. For instance, the birth order variable has a value of 0.0025, 0.0027 and 0.0028 respectively for the observations within 200 km, 150 km and 100 km, this variable is significant at the 10 percent level. Other variables such as the existence of a petroleum field, the region in which the individuals reside if it is the south or the east seem to be much more important in determining the neonatal mortality in the sub-Saharan African region.

<table>
<thead>
<tr>
<th>Variable</th>
<th>below 200 Km</th>
<th>below 150 km</th>
<th>below 100 Km</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Law</td>
<td>-0.00115</td>
<td>-0.00389</td>
<td>-0.00337</td>
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<tr>
<td></td>
<td>(-0.20)</td>
<td>(-0.66)</td>
<td>(-0.54)</td>
</tr>
<tr>
<td>Mother’s Age</td>
<td>0.0000693</td>
<td>0.0000325</td>
<td>-0.000458</td>
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<tr>
<td></td>
<td>(0.24)</td>
<td>(0.11)</td>
<td>(-1.38)</td>
</tr>
<tr>
<td>Ethnicity</td>
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<td>0.0000237</td>
<td>0.0000575</td>
</tr>
<tr>
<td></td>
<td>(0.24)</td>
<td>(0.36)</td>
<td>(0.87)</td>
</tr>
<tr>
<td>Birth Order</td>
<td>0.00258</td>
<td>0.00276*</td>
<td>0.00287*</td>
</tr>
<tr>
<td></td>
<td>(1.64)</td>
<td>(1.65)</td>
<td>(1.93)</td>
</tr>
<tr>
<td>Birth Interval</td>
<td>-0.000124</td>
<td>-0.00162</td>
<td>-0.000495</td>
</tr>
<tr>
<td></td>
<td>(-1.12)</td>
<td>(-1.35)</td>
<td>(-0.48)</td>
</tr>
<tr>
<td>Mother’s Uneducated</td>
<td>0.00215</td>
<td>0.00171</td>
<td>0.000354</td>
</tr>
<tr>
<td></td>
<td>(0.38)</td>
<td>(0.28)</td>
<td>(0.01)</td>
</tr>
<tr>
<td>Distance to Capital</td>
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<td>-0.0124</td>
<td>-0.00559</td>
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<td>(-0.50)</td>
</tr>
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<td>Distance to Border</td>
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<td>-0.00370</td>
<td>-0.0183</td>
</tr>
<tr>
<td></td>
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<td>(-1.18)</td>
<td>(-0.82)</td>
</tr>
<tr>
<td>Distance to sea</td>
<td>0.0178*</td>
<td>0.0176</td>
<td>0.00606</td>
</tr>
<tr>
<td></td>
<td>(1.68)</td>
<td>(1.52)</td>
<td>(0.38)</td>
</tr>
<tr>
<td>Malaria Suitability</td>
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<td>0.00301</td>
</tr>
<tr>
<td></td>
<td>(-0.19)</td>
<td>(-0.47)</td>
<td>(0.21)</td>
</tr>
<tr>
<td>Diamond Mine</td>
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<td>0.00565</td>
<td>-0.00166</td>
</tr>
<tr>
<td></td>
<td>(0.71)</td>
<td>(0.63)</td>
<td>(-0.17)</td>
</tr>
<tr>
<td>Petroleum Field</td>
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<td>-0.0234**</td>
<td>-0.0319***</td>
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<td></td>
<td>(-2.28)</td>
<td>(-2.33)</td>
<td>(-2.71)</td>
</tr>
<tr>
<td>Land Suitability for Agiculture</td>
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<td>-0.0152</td>
<td>-0.00770</td>
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<td>(-0.64)</td>
<td>(-0.83)</td>
<td>(-0.39)</td>
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<tr>
<td>Mean Elevation</td>
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<td>-0.00892</td>
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<td></td>
<td>(-1.21)</td>
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<td>(-1.25)</td>
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<td>Land Area</td>
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<td>(-0.62)</td>
<td>(-0.21)</td>
</tr>
<tr>
<td>Region: South</td>
<td>0.0284</td>
<td>0.0383**</td>
<td>0.0351**</td>
</tr>
<tr>
<td></td>
<td>(1.61)</td>
<td>(2.13)</td>
<td>(2.25)</td>
</tr>
<tr>
<td>Region: East</td>
<td>0.0268**</td>
<td>0.0312***</td>
<td>0.0250**</td>
</tr>
<tr>
<td></td>
<td>(2.43)</td>
<td>(2.65)</td>
<td>(2.23)</td>
</tr>
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<td>0.00586</td>
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<tr>
<td></td>
<td>(0.23)</td>
<td>(0.58)</td>
<td>(0.56)</td>
</tr>
<tr>
<td>Mean Light Density</td>
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<td>-0.000395</td>
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<td></td>
<td>(-0.13)</td>
<td>(-0.12)</td>
<td>(0.16)</td>
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<td>DHS year</td>
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<td>(-3.24)</td>
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<tr>
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<td>-0.00000216***</td>
</tr>
<tr>
<td></td>
<td>(-1.05)</td>
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<td>(-3.53)</td>
</tr>
</tbody>
</table>

Table 3: Dependent Variable: Neonatal Mortality

The effect of the common law dummy variable on the post-neonatal mortality dependent variable is represented in table 4. Unlike in the neonatal mortality case in table 3, the closer the distance to the border, the higher the incidents of post-neonatal mortality. The idea is as follows, the fact that a state falls under a common law regime will lead to a decrease in post-neonatal mortality by -0.0105, -0.0129 and -0.0177 respectively for a 200 km, a 150 km and a 100 km distance from the borders. The coefficients of the variable of interest common law are all significant meaning that the legal origins do have an impact on post-neonatal mortality. Moreover, there are some control variables that equally have a strong impact on post-neonatal mortality that are the mother’s age, and the birth order of the children. These two variables have a negative and significant impact on post-neonatal mortality under the different distance threshold from the neighbouring countries under 1 percent significance level. The environmental factors that consist
of malaria suitability index, land suitability for agriculture, diamond mine, the average light density, petroleum fields as well as the distance to the border polynomial do have an instrumental impact on post-neonatal mortality.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>below 200 Km</th>
<th>below 150 km</th>
<th>below 100 Km</th>
</tr>
</thead>
<tbody>
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<td>Common Law</td>
<td>-0.0105</td>
<td>-0.0129</td>
<td>-0.0177</td>
</tr>
<tr>
<td>Mother's Age</td>
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<td>-0.00157</td>
<td>-0.00133</td>
</tr>
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<td>0.0000078</td>
<td>0.0000270</td>
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<td>0.00429</td>
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<td>0.00537</td>
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</tr>
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<td>0.0153</td>
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<td>0.0414</td>
</tr>
<tr>
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<td>0.0123</td>
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<tr>
<td>Land Suitability for Agriculture</td>
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<td>Observations</td>
<td>469488</td>
<td>424750</td>
<td>358251</td>
</tr>
</tbody>
</table>

*1 statistics in parentheses

Standard errors are clustered using the approach of Cameron, Gelbach, and Miller (2011) at the ethnic and country levels Other controls include: the mode of marriage (monogamy or polygamy), domestic organization, subsistence economy, Jurisdiction beyond the local level

p < 0.10,  p < 0.05,  p < 0.01

Table 4: Dependent Variable: Post-Neonatal Mortality

Table 5 depicts the effect of the common law dummy on infant mortality. The main dummy variable common law has a negative significant magnitude with a value of -0.0116, -0.0168 and -0.0211 within 200 km, 150 km and 100 km distance from the border so, the magnitude of the variable decreases as we approach the borders indicating a decrease in infant mortality incidents near the borders. Therefore, it can be deduced that the legal origins do have an impact on infant mortality. Nonetheless, some control variables such as mother’s age and the birth order seem to have an important role with a negative and significant magnitude. For the variable indicating the mother’s age, we have magnitudes of -0.00146, -0.00154 and -0.00179 for the different distances from the boundaries. While the variable of birth order shows a positive and significant impact of 0.00782, 0.00772 and 0.00716 for a distance within 200 km, 150 km, and 100 km, respectively. Other variables that exhibit a significant impact on infant mortality include
the malaria suitability index, the existence of a petroleum field, the land suitability for agriculture, the mean elevation of the land, the land area the average light density as well as the regions where the individuals reside.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>below 200 Km</th>
<th>below 150 km</th>
<th>below 100 Km</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Law</td>
<td>-0.0116</td>
<td>-0.0168</td>
<td>-0.0211</td>
</tr>
<tr>
<td>(1.27)</td>
<td>(-1.70)</td>
<td>(-1.75)</td>
<td></td>
</tr>
<tr>
<td>Mother’s Age</td>
<td>-0.00146</td>
<td>-0.00154</td>
<td>-0.00179</td>
</tr>
<tr>
<td>(2.43)</td>
<td>(-2.41)</td>
<td>(-2.81)</td>
<td></td>
</tr>
<tr>
<td>Ethnicity</td>
<td>0.0000579</td>
<td>0.0000815</td>
<td>0.0000846</td>
</tr>
<tr>
<td>(0.73)</td>
<td>(0.97)</td>
<td>(1.00)</td>
<td></td>
</tr>
<tr>
<td>Birth Order</td>
<td>0.00782</td>
<td>0.00772</td>
<td>0.00716</td>
</tr>
<tr>
<td>(4.41)</td>
<td>(4.12)</td>
<td>(4.00)</td>
<td></td>
</tr>
<tr>
<td>Birth Interval</td>
<td>-0.00183</td>
<td>-0.00193</td>
<td>-0.00131</td>
</tr>
<tr>
<td>(-1.11)</td>
<td>(-1.05)</td>
<td>(-0.73)</td>
<td></td>
</tr>
<tr>
<td>Mother’s Uneducated</td>
<td>0.00440</td>
<td>0.00557</td>
<td>0.00541</td>
</tr>
<tr>
<td>(0.69)</td>
<td>(0.83)</td>
<td>(0.84)</td>
<td></td>
</tr>
<tr>
<td>Distance to Capital</td>
<td>-0.00335</td>
<td>-0.00886</td>
<td>0.00470</td>
</tr>
<tr>
<td>(-0.31)</td>
<td>(-0.53)</td>
<td>(0.33)</td>
<td></td>
</tr>
<tr>
<td>Distance to Border</td>
<td>0.0163</td>
<td>0.0114</td>
<td>-0.00294</td>
</tr>
<tr>
<td>(0.47)</td>
<td>(0.33)</td>
<td>(-0.08)</td>
<td></td>
</tr>
<tr>
<td>Distance to sea</td>
<td>-0.00419</td>
<td>-0.00986</td>
<td>-0.0184</td>
</tr>
<tr>
<td>(-0.23)</td>
<td>(-0.05)</td>
<td>(-0.80)</td>
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</tr>
<tr>
<td>Malaria Suitability</td>
<td>0.00355</td>
<td>0.0037</td>
<td>0.0445</td>
</tr>
<tr>
<td>(2.32)</td>
<td>(2.25)</td>
<td>(2.13)</td>
<td></td>
</tr>
<tr>
<td>Diamond Mine</td>
<td>0.00214</td>
<td>0.0186</td>
<td>0.0107</td>
</tr>
<tr>
<td>(2.21)</td>
<td>(1.60)</td>
<td>(0.77)</td>
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</tr>
<tr>
<td>Petroleum Field</td>
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<td>-0.0593</td>
<td>-0.0727</td>
</tr>
<tr>
<td>(-3.50)</td>
<td>(-4.11)</td>
<td>(-4.52)</td>
<td></td>
</tr>
<tr>
<td>Land Suitability for Agriculture</td>
<td>0.00268</td>
<td>0.0250</td>
<td>0.0478</td>
</tr>
<tr>
<td>(1.18)</td>
<td>(0.98)</td>
<td>(2.05)</td>
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<tr>
<td>Mean Elevation</td>
<td>-0.0238</td>
<td>-0.0273</td>
<td>-0.0237</td>
</tr>
<tr>
<td>II (-2.80)</td>
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<td>(-2.65)</td>
<td></td>
</tr>
<tr>
<td>Land Area</td>
<td>-0.000297</td>
<td>-0.000278</td>
<td>-0.000257</td>
</tr>
<tr>
<td>II (-2.24)</td>
<td>(-2.01)</td>
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</tr>
<tr>
<td>Region: South</td>
<td>0.124</td>
<td>0.164</td>
<td>0.165</td>
</tr>
<tr>
<td>(3.72)</td>
<td>(4.38)</td>
<td>(3.58)</td>
<td></td>
</tr>
<tr>
<td>Region: East</td>
<td>0.0373</td>
<td>0.0460</td>
<td>0.0402</td>
</tr>
<tr>
<td>(2.36)</td>
<td>(2.57)</td>
<td>(2.13)</td>
<td></td>
</tr>
<tr>
<td>Region: Center</td>
<td>0.0205</td>
<td>0.0275</td>
<td>0.0306</td>
</tr>
<tr>
<td>(2.31)</td>
<td>(2.51)</td>
<td>(2.26)</td>
<td></td>
</tr>
<tr>
<td>Mean Light Density</td>
<td>0.00660</td>
<td>0.0146</td>
<td>0.0199</td>
</tr>
<tr>
<td>(1.19)</td>
<td>(2.81)</td>
<td>(3.43)</td>
<td></td>
</tr>
<tr>
<td>DHS year</td>
<td>-0.00243</td>
<td>-0.00272</td>
<td>-0.00183</td>
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<tr>
<td>(-4.97)</td>
<td>(-4.78)</td>
<td>(-3.48)</td>
<td></td>
</tr>
<tr>
<td>Distance to Border polynominal</td>
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<td>0.000000413</td>
<td>-0.00000119</td>
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<tr>
<td>(-1.50)</td>
<td>(0.74)</td>
<td>(-1.01)</td>
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</tr>
<tr>
<td>Observations</td>
<td>469486</td>
<td>424750</td>
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</table>

Table 5: Dependent Variable: Infant Mortality

Conclusion

To unravel the possible effects of colonial legal systems on the health outcomes of the population, this research paper looks at the breakdown of infant mortality that is used as a proxy of the health stance of the inclusive population. From this study, a main conclusion is the fact that the RD design graphs of the degrees of infant mortality rates further back up the results provided in the estimated tables. This overlapping of results provides enough evidence supporting a negative relationship between the existence of a common law regime and the child mortality incidence. Out of the RD design graphs and the tables, it can be inferred that the post-neonatal mortality rates are more pervasive under civil law while infant mortality is likely to be in civil law countries. As for the neonatal mortality graph, it is more prevalent in countries adopting common law, but this is not supported by the tables’ results. The post-neonatal and infant mortality phenomena are more likely to occur under civil law rather than common law. However, the legal origins do not seem to have any impact on the neonatal mortality. Some considerable limitations were faced such as the inability to control for some variables because of a high multicollinearity issue that leads to the disappearance of the coefficients from the results. In addition to
the existence of some time constraints that impeded the inclusion of robustness checks that concern the polynomial of the RD design specification. Yet, keeping only a second-order polynomial of the distance to the national border is intuitive for studying health related studies following Anderson (2018) methodology.

**References**


IndexMundi - Country Facts.


A critical examination of the interaction of crisis leadership & corporate reputation

Evangelia Fragouli
School of Business, University of Dundee, UK

Keywords
Crisis, leadership, corporate reputation, stakeholders

Abstract
Effective leadership in dealing with a crisis is of critical importance since crisis situations often put companies or organizations at high risks threatening their reputation, stability & survival. Considering that a crisis can present itself in a number of different ways, as well as there are multiple factors that affect individual leadership styles, a leader must be able to distinguish between these ways and adapt the right style and behaviours accordingly. This paper, through a critical literature review methodology, explores ‘how’ leadership underpins corporate reputation in a crisis situation reviewing also the key factors influencing leadership effectiveness in such stressful situations. The study concludes that the leadership role is important in supporting the corporate reputation in a crisis situation and suggests that practitioners must comprehend different dimensions of crisis that affect leadership styles, allowing for effective management of the situation. Additionally, the study emphasizes that different preparations, precautions, and adaptations must be considered before choosing a leadership style to effectively navigate the organisation through crisis. The study confirms that a good reputation helps corporations to gain the trust of consumers and reduce the losses caused by the crisis, as well as, corporations in crisis should choose appropriate leadership style so that leaders to create a culture that could predict threats and risks.

1. Introduction
Corporate reputation refers to the degree to which an enterprise is trusted and praised by the public, as well as the degree to which the enterprise affects the public (Barnett, Jermier and Lafferty, 2006). The development of media facilitates the value of each enterprise to become known by the public (Aula, 2010). With a high degree of transparent oversight, corporate reputation management glitches are more likely to be amplified (Dijkmans, Kerkhof and Beukeboom, 2015). Once the reputation of the enterprise is lost, it means that the crisis of the enterprise is triggered. Cravens, Goad Oliver and Ramamoorti (2003) claimed that better leadership can change people’s perception of the negative image of the organization. When an enterprise is in crisis, a strong leadership can help the enterprise gradually recover the lost reputation and regain the trust of stakeholders (Jin and Yeo, 2011). Therefore, leadership is about leaders building bridges between the company and society through their own efforts (Ilies, Morgeson and Nahrgang, 2005). Under the influence of excellent leadership, leaders can encourage employees to achieve organizational goals, make enterprises pay attention to reputation risk, and motivate the whole organization to protect company’s reputation in the case of crisis (Avolio and Gardner, 2005).

Fombrun (2012) introduced that corporate reputation is a collective assessment of a company’s attractiveness to a specific group of stakeholders as opposed to a reference group of companies with which the company competes for resources. Corporate reputation is a vital intangible asset as well as a significant long-term strategic goal of a company (Dowling, 1993). Roberts & Dowling (2002) believe that high reputation can bring huge profits to the company. In addition, these profits together with the company's potential value will continue to grow over time. In general, high reputation contributes to the company from the following aspects: 1) optimizing shareholder value, 2) attracting customers and high-quality employees, 3) increasing businesses during the upswings of the market, and 4) protecting businesses during the economic recession. Therefore, high corporate reputation becomes particularly crucial to the survival and development of a company. Patrick, Adeosun and Ganiyu (2013) pointed out that corporate reputation is an intangible strategic asset of a company. Companies are usually seeking effective reputational risk management (RRM) methods for management aiming to protect and enhance corporate reputation (Burke, 2003). Unerman (2008) points out that good performance of corporate social
responsibility can effectively reduce reputational risk. Mahon (2002) believes that a good corporate reputation and reputation risk management are competitive advantages, a good corporate reputation will make suppliers and partners more willing to strengthen cooperation with the enterprise.

2. A brief examination of factors affecting corporate reputation

Factors which influence corporate reputation include leadership and stakeholders (Stavrinoudis and Chrysanthopoulou, 2017; Moleleki, 2011; Matuleviciene and Stravinskiene, 2015). Among them, leadership, as a significant factor affecting corporate reputation, is reflected in the annual survey of most corporate reputation measurement tools (such as AMAC of reputation merchants and wealth companies), which highlights the importance of leadership (Fombrun, Gardberg and Sever, 2000). Senior managers and employees are the most important factors that determine strategic decisions and organizational results. They decide to promote or defend their corporate reputation and act as the defender and supporter of corporate reputation (Helm, 2011). And in many cases, a leader's effectiveness seems to be synonymous with reputation, rather than any objective measure. Maintaining and developing a company's reputation is a leader's primary concern (Stavrinoudis and Chrysanthopoulou, 2017). Some of the world's most famous companies have high-profile, acclaimed leaders; In contrast, in recent years, other companies have also fallen into difficulties due to a leader's mismanagement during the crisis (Knight, 2017). Stakeholders are also important. Firms that are appreciated by stakeholders can gain a higher corporate reputation. And the larger stakeholders identify with the brand and the estimated firm leads to a higher corporate reputation. Because stakeholders can directly affect a company's image, reputation, and revenue through decisions, boycotts, mild retaliation, income taxes, and resource constraints. Therefore, stakeholders can indirectly influence corporate reputation through the relationship between stakeholders and enterprises. Stakeholders unconsciously form corporate reputations to a certain extent (Matuleviciene and Stravinskiene, 2015). Finally, if companies ignore the legislative changes related to the environment, they may damage their reputation and lose business, and there are many other legislative drivers that may damage the company's image (Moleleki, 2011).

2.1 Compliance with the law and corporate reputation

Compliance with the law is the foundation of the company's ethical behavior. If a company wants to establish a good corporate reputation, it must comply with laws and regulations, including international rules and contracts, laws and regulations and regulatory requirements in the country where the company is headquartered and where it operates. Enterprises should integrate compliance with laws and regulations into their corporate culture. When corporate culture emphasizes integrity and integrity, and the board of directors and senior management set an example, legal and reasonable operations can be effectively implemented. Enterprises should examine whether they have established a good legal management culture and a suitable environment to make full preparations for the implementation of legal management. An enterprise's compliance with laws and regulations can not only effectively reduce the risk of violations, but also in the long run, it will help improve the reputation of the company and reduce the negative reports of the news media to gain consumer trust. The purpose of a corporation is to maximize its shareholders' returns and to ensure that compliance with the laws of the jurisdictions in which it operates constitutes socially responsible conduct. (Friedman, 1970)

2.2 Stakeholders & Corporate Reputation

Corporate reputation is affected by many factors, among which stakeholders are important factors affecting corporate reputation, and leaders need to consider the needs of different stakeholders in order to have a better corporate reputation. Effective communication between leaders and stakeholders contribute to the management of corporate reputation (Helm, 2007). Social public satisfaction affects corporate reputation. Companies with high stakeholder satisfaction usually achieve higher corporate social performance (Neville, Bell and Mengüç, 2005). Timberland brand pays attention to customer satisfaction. Each product comes with a notification of customers' impact on the environment and the community. It gives consumers sufficient right to know and make decisions, which enhances the influence of the Timberland brand and ultimately makes Timberland shoes deeply affected. Volkswagen's favorite, and thus higher profits (Gillentine, 2006). Improving corporate employee welfare will enhance corporate reputation, which will allow the company to have good financial performance (Contini et al., 2019). In
recent years, Huawei the company’s market share has steadily increased, which is closely related to Huawei’s strategy of adopting high employee benefits and sharing sufficient revenue for employees. Reasonable measures have made Huawei have a better corporate reputation. As a result, Huawei employees are willing to work longer independently and are full of passion while working, which ultimately brings good earnings performance to the company (Zhu et al., 2013). When a major crisis comes, stakeholders will have greater tolerance and tolerance for the company, which also provides companies with time to prepare for the crisis.

2.3 Corporate Social Responsibility & Corporate Reputation

Corporate social responsibility means that enterprises need to take responsibility for improving society, environment, and operation (Moir, 2001). And corporate social responsibility has a positive effect on corporate reputation (Schnietz and Epstein, 2005). When an enterprise’s reputation is in crisis, the good corporate social responsibility maintained by the enterprise can play a positive role in the repair process (Adams, 2008). So, in the wake of the Volkswagen scandal, the leadership has maintained its previous strategy of sustainable development and green energy (Horn et al., 2015). When an enterprise has strong leadership, it can not only help the enterprise to tide over the difficulties, but also prevent another major crisis (Zhu, Sun, and Leung, 2013).

Corporate social responsibility activities for customers to buy what kind of product or service plays a very important role (Šontaitė - Petkevičien é, 2015). According to Castaldo et al. (2009), some reports indicate that customers are affected by the organization’s CSR activities. In addition, Park, Lee, and Kim (2014) argue that ethical and philanthropic CSR practices may create and cultivate clients’ beliefs that organizations adhere to high ethical standards and care about the well-being of society. Therefore, Lamberti and Lettieri (2009) believe that if customers realize the moral meaning of organizational behavior, they will ensure that the organization will follow certain quality standards and maintain or improve its corporate reputation. Corporate social responsibility has become one of the significant factors that affect corporate reputation. Corporate social responsibility has become the top managers in the enterprise reputation building one of the most important business case (Š ontaitė - Petkevičien é, 2015). When corporate executives generally have high ethical leadership, corporate reputation will also be correspondingly improved with the improvement of CSR, so that companies will have a stronger ability to resist crisis. Groves and LaRocca (2011) pointed out that transactional leadership and transformational leadership often have different ethical values, which will lead to different CSR measures for companies. Hsu (2012) proposed that corporate social responsibility is increasingly important for companies in today's society. Hall et al (2015) pointed out that when a company with close social relations does not implement an appropriate corporate social responsibility strategy, the company’s reputation will be affected, which will cause the company to fall into crisis. In 2009, two employees of the Domino brand posted a video of the company preparing a pizza in an unsanitary manner on YouTube. This is a crisis caused by the company’s failure to perform a good CSR, and the Domino Company only responded to this situation two days later. In response, consumers' perceptions of the Domino brand at this time were already very poor. This is a crisis caused by the company’s failure to perform a good CSR, and Domino responded to this situation two days later, at this time consumers have a very bad impression of the Domino brand. This puts the company in a huge crisis (Young and Flowers, 2012). In addition, Schnietz and Epstein (2005) pointed out that companies that actively undertake CSR will be less affected in times of crisis. A company with a higher CSR reputation has a stronger ability to resist the crisis (Lins et al., 2017). This means that if a company handles the crisis from the perspective of a stakeholder, then the company with a higher CSR Companies can profit in a crisis. The case of Johnson & Johnson's Tylenol is a good example. In 1982, someone died of taking a drug from Johnson & Johnson. Johnson & Johnson did not conceal information about 100,000 parts of the drug containing toxic substances, notified consumers across the country and recalled all medicine. After half a year, the company reoccupied most of the market for this medicine, and built a better corporate reputation, and later achieved better profit performance (Benson, 1988). In general, corporate CSR commitment is conducive to enhancing corporate reputation and has important value for corporate reputation in crisis (Schnietz and Epstein, 2005).
3. Leadership & Crisis Management

Every organisation aims to have a sustainable leadership system to best equip them to cope with crisis situations; crisis events are characterised by their unexpected and harmful nature. To be effective, leaders must prepare response strategies in an organised manner to remedy the issue as quickly and efficiently as possible (Bundy, et al., 2017). There are three main stages involved in leading in crisis: crisis prevention, crisis management and post crisis evaluation (Bundy, et al., 2017): Organisations view crisis from two distinct perspectives: internally, focusing on the internal dynamics of the organisation to manage the threat, complexity and technology required in crisis, and externally, considering the external environment and stakeholders and their impact and considerations in difficult periods (Bundy, et al., 2017). There are however distinguished commonalities between these perspectives that enable leaders to synthesise both into one single perspective, allowing them to approach the issue as one whole matter. For instance, leaders can identify constraints, such as internal social and behavioural concerns, that may hinder their relationship with external stakeholders (Bundy, et al., 2017). No organisation is always truly prepared for crisis; however, some do have a unique capability to soften the blow through training and preparation. Businesses should look to have dedicated training explaining to subordinates what to expect during crisis and what methods and actions are likely to be required to deal with it (Głódziński & Marciniak, 2016). Publicly available specification for leaders during crisis (PAS: 200:2011) describes a structure highlighting four key demands of effectiveness that can be adopted by organisations in crisis management (Hamidovic, 2012): • Psychological demand, which involves the capability of inspecting situations, defining strategies, regulating choices, forming opinions and classifying their impacts, • Organisational demand, which consider the structures and methods required to convert decisions into reality and inspect their effects, • Cultural demand, which involves the inner capability of employees to share decisions and assist their superiors in taking action and realising goals, • Logistical demand, which involves the capability of making the correct decision at the right time.

3.1 Leadership Styles Before Crisis

Schnietz et al (2005) claim that companies with a high corporate reputation have stronger ability to resist crisis, enterprises will suffer less losses in the crisis, and their leaders' decisions in the crisis will be more easily accepted by the public. Leader's power is the key to a company's crisis resolution while leadership is abstract and uncontrolled. The effectiveness of crisis management and corporate reputation depend on strong leadership. Therefore, the strength of leadership directly affects the success or failure of a company in a crisis. Many scholars analyse leadership styles in three different stages of crisis: before, during and after. Crisis leadership is significant as there are many factors affecting it, including irresponsibility of situations and cost entailed (Prewitt, et al., 2011). Irresponsible crisis leadership can put the organisation at risk; in order to avoid this, leaders must analyse the implications of different styles and comprehend crisis theory so that they can anticipate unexpected situations whenever they may arise in the future (Prewitt, et al., 2011).

Generally, there is a lifecycle for any crisis, with each point requiring different strategies in order to lead the organisation to survival; a crisis lifecycle begins with a preparation phase, requiring training, information absorption, external environment forecasting and a deep understanding of all anticipated threats to minimise the risk and impact of unforeseen circumstances (Prewitt, et al., 2011). An understanding can be gained through a number of different ways: leaders can determine how prepared the organisation is to respond to the crisis, and what precautions can be taken, as well as what styles to adopt to best coach subordinates through the period of difficulty (Ucelli, 2002). Furthermore, communication can be made clearer by designing strategic programmes and implementing suitable communication protocols before crisis (Ucelli, 2002). The emergency phase, where the crisis occurs, requires timely and specific implementation of theories, tools and strategies learned in the preparation phase, while the final phase (adaptive steady-state) includes a revision of what has been accomplished during the crisis, what losses have been incurred and lessons that must be understood before a new crisis lifecycle takes over (Fener & Cevik, 2015).

Crisis management describes how leaders plan for crisis, and the key aims are listed (Cener, 2007, as cited in Fener & Cevik, 2015): 1) To recognise major crisis events that may affect decision making, and provide information about the crisis process, 2) To allow leaders to identify crisis, and assess its impacts,
3.2 Leadership Styles During Crisis

There are multiple lenses through which leadership styles in crisis can be analysed. Crisis can occur for a number of reasons but can begin to manifest itself in an organisation through poor leadership and decision making, such as selling a core part of the business to other companies as they lack resources, time or expertise and are acting impulsively. Consequently, the ability of a leader to react effectively or impose a proper leadership style may be limited (Probst & Raisch, 2005). To effectively deal with crisis, leaders must first recognise signs early, allowing them to understand the situation and formulate a plan of attack (Boin, et al., 2013). Leaders are then responsible for collating available information and quickly making a decision before effectively communicating this to subordinates (Boin, et al., 2013). Communication is imperative throughout, ensuring plans are executed to the highest possible standard, minimising disruption experienced within the organisation (Boin, et al., 2013). Furthermore, in situations where power is shared between more than one leader, communication is key to ensure everyone is moving in the same direction. It is often difficult for leaders to maintain concrete styles in this instance, however Probst & Raisch, (2005), argue that adopting an autocratic leadership style can limit the impact of crisis on the organisation. Small changes where leaders can adapt their style to be innovative and allow for smooth transition between phases in crisis can navigate an organisation out of crisis (Probst & Raisch, 2005).

During crisis, it is imperative that leaders remain composed and can operate effectively under pressure (Yukl, 1994, p. 264). This composure allows them to make considered, rational decisions on how best to lead the organisation so as not to aggravate the crisis situation they are in (Fener & Cevik, 2015). Additionally, they can determine the nature of problems and their causes and take decisive corrective action (Yukl, 1994, p. 80), before clear improvement can be observed (Yukl, 1994, p. 384). Effective leaders have the confidence to take responsibility for their decisions and keep subordinates informed (Yukl, 1994, pp. 99, 101, 448), making their role in recovery clear (Yukl, 1994, p. 296). Adaptation of leadership styles relies on one fundamental approach that drives and controls other styles accordingly: charismatic leadership (Hasan & Rjoub, 2017). During crisis, followers are coached and directed by leaders who have clear vision and communication, and charismatic leaders are more likely to convey messages and instructions in a way subordinates trust and adhere to (Hasan & Rjoub, 2017). Leaders with good charisma have particular behaviours embedded in their personality, not evident in everyone (Jansen, et al., 2009): 1) They can impose an attractive strategy and vision that creates trust among followers, 2) They have the ability to perform unconventional practices in critical times, 3) They have great self confidence that allows them to take risks and responsibility and inspire others. Employees can be further motivated in crisis if the leader is passionate and concentrates on subordinate’s success with a positive energy; if they have integrity and are equipped for any situation; and if they are prepared to contribute and lead through experience and expertise, rather than abusing their position of authority (Jansen, et al., 2009). Some leaders express different emotions that may affect their leadership style in crisis; they may become overwhelmed with fear, anger or sadness. The ability of a leader to control their emotions in responding to crisis is vital, as this can influence subordinate reaction as the brain responds to sender emotions and reacts accordingly (Madera & Smith, 2009).

Leaders may choose to consult experts from outside the company as they can be too emotionally involved in the situation, prolonging the decision-making process, but ensuring a reasonable, unbiased course of action is chosen. If a crisis situation requires immediate response based on sustainable growth, the leader must be able to switch between leadership styles, such as autocratic, participative and charismatic depending on the nature of crisis and their own cognitive ability (Probst & Raisch, 2005). Leaders must ensure that they adopt a leadership style in crisis that does not worsen the situation: not
having sufficient resources or knowledge, ignoring potential threats, and making knee-jerk decisions can deepen crisis (Boin, et al., 2013). If an organisation is well balanced in its corporate governance in terms of growth, speed of change, leadership, and culture, leaders will be better placed to choose a suitable leadership style in crisis, recognising warning signs early on in the process, allowing for quicker adaptation and response to the situation (Probst & Raisch, 2005). Hannah, et al., (2009) argue that different leadership styles can have different effects on leaders and followers depending on their relationship and how they are physically separated within the business. For example, if a leader shares the same level of risk and responsibility with subordinates, as seen in military conditions, they will be able to influence the dynamics of the crisis situation, and use follower’s behaviour as an advantage, rather than an obstacle (Hannah, et al., 2009). Another factor that determines leadership style is the location and magnitude of the crisis. Large-scale, immediate danger requires instant, decisive action and the leader does not necessarily have time to analyse different possible strategies, while the location impacts who may be involved and other cost implications to the organisation (Hannah, et al., 2009).

3.2.1 Factors and Demands Affecting Leadership Styles

Adapting particular leadership styles depends on many factors including (Olafason, 2014): Establishing a strong, empathetic relationship with followers, as followers will tend to express their feelings and respond to orders if the leader has the ability to listen to and establish a connection with them; Having high levels of self-awareness, which will allow the leader to adapt quickly and respond effectively to crisis, as well as allowing them to establish limitations within individual plans; Expressing plans and visions to subordinates through storytelling allows colleagues to fully understand and become more engaged in their work; Building trust with followers’ aids leader credibility when acting in crisis as subordinates are less likely to question integrity, intent, capabilities and results

Each of these factors controls the ability of the leader to choose and implement a proper leadership style (Olafason, 2014). Communication and confidence are integral qualities leading in crisis. Should a leader not display these characteristics, they will not be able to reasonably make decisions or delegate tasks under time constraints, or relay information in teambuilding when their business needs reorganising (Van Wart & Kapucu, 2011).

3.3 Leadership Styles After Crisis

Following crisis, managers and leaders must adapt their styles to conform to the new state of the organisation. They must find reasonable solutions to the impacts of the crisis and implement changes and new strategies to improve the standing of the organisation (Fener & Cevik, 2015). Crisis situations can also be a learning curve for leaders, as their experience and knowledge grow from managing the case; their understanding of the crisis and why it occurred can be used to ensure they do not find themselves in a similar state again (Boin, et al., 2013; James & Wooten, 2011). Following the fast-paced, frantic operations during crisis, it is normal for leaders to allow intensity to drop and to revert back to old habits that they are comfortable with. Ashkenas, (2012), argues that to follow a successful and sustainable business model capable of averting crisis situations, it is necessary for leaders and their colleagues to continue to work efficiently with high energy, even in non-crisis situations.

3.3.1 Leadership Style & Corporate Crisis Response

Each leader has a unique leadership style. Different leadership styles can cope with different corporate crises. The right leader can help the company survive the crisis smoothly; otherwise it will bring disastrous consequences for the company. Bowers, Hall and Srinivasan (2017) pointed out that when a company encounters a crisis, it should first analyse the crisis itself, so as to select leaders that match the attributes of the crisis to resolve the current crisis according to the leadership traits. Indicative leadership is the most common leadership of today’s enterprises. Indicative leaders have a strong self-confidence in themselves. Jordan-Meier (2012) believes that transactional leadership in US companies after World War II is very common that leaders meet employees’ expectations through incentives and punishment. Wofford and Goodwin (1994) pointed out that under this leadership; leaders do not expect to change the existing state. This means that transactional leaders want companies’ tasks can be completed according to the systematic and structured model of the enterprise. Because leaders are affected by the corporate system, such leaders will be at a loss for emerging new crises. (Trainor and Velotti, 2013). Transactional leadership
is considered by many scholars as a leadership strategy that is good for business development. Yukl (1999) pointed out that transformational leadership guide the change of subordinates through incentives and improve their work performance by stimulating the self-efficacy of the subordinates. Bowers, Hall, and Srinivasan (2017) pointed out that during a crisis, transformational leaders tend to listen to the opinions of subordinates to reach consensus.

3.3.2 The role of Emotional & Ethical Factors on Leadership.

The complexity of business management makes leaders often work under high pressure and need to respond quickly to tasks when information is scarce (Collins and Jackson, 2015). Different emotions generated under high pressure will affect the efficiency of decision-making. Madera and Smith (2009) points out emotional factors can have a certain effect on leadership. Negative emotional factors such as anger, frustration, and destructive leadership can lead to disruptive leadership (Krasikova Green and Lefebvre, 2013). Such leaders are prone to harm decisions on corporate reputation. (Spreier, Fontaine and Malloy, 2006). However, not all emotions have a negative impact on leadership. Positive emotions of leaders such as enthusiasm and activities can have a positive effect on leadership. According to research by Sy, Côté and Saavedra (2005), Leader's positive attitude has a positive impact on follower performance and motivates followers. In addition, a transformational leadership are more likely to have a positive influence of emotions and feelings of followers (Footy et al, 2010). Therefore, emotional factors not only affect the generation of leadership, but also affect the moral quality of leaders. The impact of ethical factors on leadership is huge. Today's companies face many unknown risks. Any decision made by corporate managers may affect the reputation of the company. Messick and Bazerman (1996) proposed that decisions without ethical considerations can easily lead to companies' damage to reputation. The 2015 Volkswagen emissions scandal is a good proof of this fact (Siano et al., 2017). In order to increase sales, corporate leadership fraudulently claims that the new system can reduce carbon emissions. Emissions will eventually lead to damage to corporate reputation and company profits. Therefore, when making decisions, corporate managers not only need to consider accurate world system theories, but also need to consider ethical factors in decision making. In addition, corporate culture is subject to ethical leadership Influences increase corporate social responsibility (Too and Ofori, 2009). This is because managers with ethical leadership influence the ethical behaviour of their subordinates and increase employee dedication (Mayer, Kuenzi and Greenbaum, 2010). This ethical factor will have different effects on different styles of leadership. Among them, transactional leadership is least affected.

4. Effective Crisis Leadership & Challenges

Obydiennova (2019) pointed out that the crisis is unknown and sudden, so companies should use existing resources, allocate appropriate leadership, and implement effective measures to deal with the crisis, thereby reducing the reputation and assets of the company in the crisis. Yukl (2006) pointed out that when a company encounters a crisis, it should choose the appropriate leadership to deal with the current crisis according to the type of crisis at different stages (Burgess et al 1992). Leaders who can effectively deal with threats can make team members more engaged in work and reduce followers' ability to question decisions. In contrast, current leaders are inconsistent with the leadership style required by the current corporate crisis. It often leads to a crisis out of control. The result is devastating for businesses (Bowers, Hall, & Srinivasan, 2017). Therefore, a more detailed analysis of the advantages and disadvantages of different leadership and the factors affecting leadership is required. Bruce and Luthans (2009) pointed out that according to leadership-related traits, leadership can be divided into transactional, transformational, and mentoring. According to the study of different leadership by Bath (2008), transactional leaders can better clarify decision-making goals for followers in the face of stress and corporate crises, while transformative leaders inspire followers by caring about employees. In order to make full use of corporate resources in the event of a corporate crisis, Rajah, Song and Arvey (2011) also studied the factors affecting leadership. They found that emotions have many effects on leadership, and they also affect their Followers have different influences. In addition to emotional factors, Zhu et al (2011) found that moral factors are also the main factors affecting leadership; Morality not only affects guiding power, but also affects the morals and price of followers. In addition, the effectiveness of crisis management as a leader's response to corporate crises is directly affected by leadership (Melissa, 2017). According to the research by
Maldonado and Dusya (2014) effective crisis management can help companies protect their reputation during crises. At the same time, corporate reputation is also affected by CSR. Hall et al (2015) pointed out that companies need to implement appropriate corporate social responsibility strategies; otherwise their reputation will be affected. According to the research of Tom (2018), the corporate image in the mind of stakeholders also affects the reputation of the company, and companies which focus on stakeholders usually get better corporate reputation.

Another challenge for effective leadership is the context and nature of a crisis. Feam-Banks (1996) defines a crisis as a major event that happens with a potentially negative outcome and affects both an organization and its stakeholders. The Chinese character for "crisis" is a combination of the two characters "danger" and "opportunity". Coincidentally, Brumfield (2012) believes that crisis is not necessarily a negative experience for all organizations. With proper planning and preparation, as well as the in-advance identification of potential problems, companies can take advantage of the crisis to gain benefits. Nevertheless, which of the "danger" and "opportunity" dominates often depends on the attitude of the leader. For this reason, Jaques (2012) highlights crisis leadership to be an important component of crisis management academics. Schoenberg (2005) also describes crisis leadership as one of the most important but least studied factors in crisis management. Furthermore, Davies and Chun (2009) point out that leaders play a central role in reputation management of a company. Leaders can personify the company into various stakeholders. The personalities of leaders have an influence on the corporate culture. In case of a crisis, internal and external stakeholders may insist that leaders assume important roles. For example, leaders' responses to crises may be closely correlated with company reputation (Cohen, 2004). FIFA's failure to restore its reputation in time for bribery elections is a typical example. Microsoft's reputation among consumers has gradually increased after the timely replacement of leaders. Therefore, only principle-based organizations with effective leadership and preparation can help a company survive from the crisis and even stand up from the storm. A crisis is an unstable time or state of affairs & any business leader who can foresee and plan the turning point of the company is more likely to take advantage of this opportunity (Heller and Darling, 2012). Effective crisis management is conducive to promoting competition for enterprises. Ineffective crisis response can lead to competitive disadvantage and even endanger the survival of the enterprise. However, some leaders who are perceived as far-sighted, strategic, and disciplined have muddled through crises, often at great risk to their careers and the future of their companies. Leaders who mishandle the early stages of a crisis often act in such ways preventing the company from using resources early enough to control its own destiny. The four common mistakes leaders make are: 1) Ignore the problem: management doesn't seem to be aware of the real crisis; 2) Provide misleading information: management provides misleading statements of truth, thereby prompting an opponent or whistle-blower to reveal the whole story; 3). Claim situations against the reality: often the management deliberately lies in order to deceive; 4). Shift the blame to others: often the management tries to shift the focus from itself to others instead of taking meaningful steps to solve the problem (Fred Garcia, 2006).

5. What is required to take place?
5.1 Leadership Needs to Face Challenges in Crisis

Usually, crises are sudden and unpredictable. Therefore, leaders in a crisis face various challenges. Meriwether, Gordon (2018) believes that leadership needs in crisis are quite different from those in normal situations. Leaders in crisis usually need to face the following problems: First, in a corporate crisis, the decisions made by leaders may be insufficiently comprehensive due to internal and external pressures, resulting in unpredictable consequences. Second, time pressure is also the main factor influencing leadership. Leaders need to control the corporate crisis within the shortest period of time. This not only requires the leader to have the ability to respond to the crisis quickly, but also the leader to have the ability to organize the work. Finally, the public opinion pressure is also a factor that affects leadership. Leaders' decisions that fail to meet the expectations of the general public may have a disastrous impact on corporate reputation. Gwyther Matthew (2015) believes that leaders need to avoid problems that lack public trust. This will effectively prevent the company from suffering losses. In fact, the case of Hurricane Gudrum is a typical negative example. After the onset of the hurricane, the public was not informed of the progress of the repair work in real time, and at the same time spent a lot of time on planning instead of
actions, which caused them to lose the trust from the public and the company's corporate reputation received a huge loss (Erik H Schlie, 2006). As a result, companies need to consider the Leadership Traits of leaders and other factors that affect leadership, such as emotions and ethics, when they resolve crises.

5.2 Strong Crisis Leadership

Strong crisis leadership makes everything different, which can be proved by many historical and contemporary examples. There are generally three approaches to crisis resolution: anticipation, prevention, and mitigation. As argued by Caroline (2019), business leaders able to leverage these skills are more likely to achieve long-term success even in the most unfavourable situations.

Anticipation: Although not all crises are foreseeable, some crises are predictable. (Boin, Kuipers & Overdijk, 2014). Leaders can identify Potential crisis as early as possible by establishing mechanisms to identify the crises (Penrose, 2000). In order to effectively identify potential crises and improve the responsiveness and ability to respond to crises, leaders can establish a policy framework for organizing actions. (Penrose, 2000). The classification of effective crises can help leaders to directly judge potential crises and quickly enter the crisis response stage. There are four criteria for effective crisis classification a) the crisis categories are independent of each other and have clear criteria for differentiation. b) the definition of different types of crises should be comprehensive and detailed, giving leaders a broad and deep understanding of the crisis. Provide more theoretical support for the decision-making of leaders. c) The third crisis classification should help leaders to prevent and understand how to deal with potential crises. d) classification should be practical. The number of types of crisis should be reasonable to facilitate decision-makers (James, Wooten, Pushek, 2011).

The crisis is classified into 16 matrices (Burnet 2016 as cited in Penrose, 2000). The factors influencing these matrices include threat level, degree of control, time pressure, and response options. The level of crisis classification is determined by these four factors. For example, a crisis with a medium threat level, a high degree of control, and small-time pressure are classified as a three-level crisis, which including three influencing factors (Penrose, 2000). Also, the team is critical to a good plan. Team-oriented organizations can better manage crises than organizations that are personally oriented in crisis preparedness. (Pearson et al., 1997). Interpersonal conflicts, ineffective decisions can hinder the effectiveness of crisis management (King, 2002).

Leaders can select and train company spokespersons to identify key audiences and key information by establishing communication protocols. Identify the most appropriate communication method to develop a communication strategy before a crisis occurs (Bernstein, 2004). The communication strategy should explain everything about the crisis (Boin, Kuipers & Overdijk, 2014). The communication strategy should also include how to identify confidential information and regulate the access rights of on-site media for employees at all levels of the company (Carole, 1990). Pre-set crisis communication plan templates, and coordination of procedures with other relevant departments, designate spokespersons and list emergency contacts for the team and other relevant agencies. Should take place (Seeger, 2006). The ability of leaders and their teams to communicate the company's vision has a growing impact on corporate reputation. (Knight, 2017).

Prevention: A crisis may affect not only the internal environment of the company like employees but also the external factors, such as the reputation and stokeholders of an organization (Granville King, III, 2000). Building an effective crisis management mechanism is a requisite plan for any firm to protect an organization and its stakeholders from threats and leaders should perform with sensemaking and perception skills (Walsh, 1995; Weick, 1988). As has been claimed by Dutton & Jackson (1987) and Wooten & James (2004). Crisis management, can be divided into five phases (Lynn Perry Wooten Erika Hayes James, 2008): ● Signal detection phase: includes two-parts; one is sense-making, the leader may need to think the reasons of the event, the means of the event, also the things that should relate to it, meanwhile, the leader should not only sense an individual event but also notice about things that seem unrelated (Weick et al. 2005); also to be explored what kinds of perspectives should the leader take to analyze the crisis. (Broockner and James, 2008). ● Prevention/preparation phase: There are three main ideas that should be considered for a crisis. Firstly, is the selling issue, in this stage, executives should engage in the processes and objectives of selling issues as it may influence the set or change the developing direction of a company (Dutton, Ashford, O’Neill, Hayes, & Wierba, 1997). The second point is the agility of the...
organization, thus, it requires the crisis led to some extent understand all aspects of the organization. Next, we need to admit that the creativity competence of firm that use to predict how a firm will be attacked by which kind of crises may benefit for a firm to contain some activities and control damages as well (Lynn Perry Wooten Erika Hayes James, 2008). ● Damage control phase: In the third segment of CM is the damage control stage, how to respond the event with proper actions under pressure in time is a core competency to the leader. Brockner and James have claimed in 2008, at the beginning of the crises the leader may realize the crisis as a threat rather than think it as a possible opportunity. Besides, the threatening issues always result in negative emotions, such as anxiety (Smith & Ellsworth, 1985), which will influence the ability of the leader to make a wit decision. Furthermore, the plenty of information of crisis itself also consumes the time of leader, which also increase the difficulty of crisis solving. (Coombs, 1995; James & Wooten, 2006). ● Recovery phase: the need to obtain the trust of stakeholders again is a vital mission for the leader, and the ability to take actions with integrity that consistent with integrity is the basis for rebuilding the trust (James and Wooten, 2006). ● Learning and reflection: the crises are more likely to be seen as an opportunity instead of treating it as threats when the decision-makers use previous experience and using a learning orientation and develop new rules to alter the operation of the organization (Brockner & James, 2008).

Mitigation: Any stakeholder concerns must be heard and addressed immediately and continuously throughout the crisis. A company’s reputation determines its market share and is influenced by its shareholders, customers, and other stakeholders (Šontaitė-Petkevičienė, 2014). However, Coombs (2007) claims that no matter what kind of crisis the company is in, the most important thing is to ensure that stakeholders are free of harm, rather than placing the company’s reputation in the first place to be protected. A good corporate reputation is a valuable asset for an enterprise, and an asset that other companies cannot replicate (Hoopes, Madsen, & Walker, 2003). Unlike other valuable resources that are difficult to imitate (human resources and know-how), the competitive advantage that a company’s reputation brings to a company is sustainable. Carmeli and Tishler (2004) argue that human capital, management capabilities, and corporate credibility can be of great help to companies’ performance and are indispensable. Cravens (2006) also believe that corporate reputation is not generated by regulations but is the result of the joint efforts of corporate leaders and employees. Jackson (2004) believes that reputation is not only brought about by business leaders and corporate employees but includes a large number of members such as consumers, corporate investors, corporate employees, stakeholders, and the general public.

After the crisis, public relations mainly correspond to the 5S principles: ● Shoulder the matter: After the crisis occurs, the public will often relate to two issues, the issue of interests and emotional issues. Interests are the focus of public concern. Business leaders need to stand in the position of victims, apologize to the public through the news media, and win public forgiveness. ● Sincerity: When the enterprise is in the crisis of public opinion, every move of the enterprise will pay more attention to, enterprise leaders must not have lucky mentality, trying to pass the test. ● Speed: At that time, the spread of social information was extremely fast. After the crisis, various rumors could easily flood the Internet. Business leaders must react quickly and communicate with the media to prevent the situation from escalating and expanding. ● System: After the crisis, corporate leaders must remain calm and reduce the psychological pressure on employees, and at the same time, the corporate leadership must develop a unified solution. After the plan is formulated, a public relations team should be established immediately to implement the plan quickly. At the same time, the public relations team must have efficient execution to ensure that the crisis can be completely resolved. ● Standards: After the crisis, companies often lack the credibility to justify themselves. Business leaders need to invite influential people or organizations to justify themselves, eliminate public relations suspicions, and regain public trust. As Fombrun (1996) and Bromley (2002) have found that corporate credibility is a collective assessment of a company’s past behaviour and outcomes, not only that, corporate credibility also represents other value outcomes that are provided to various stakeholder groups ability. Crisis is inevitable in the life cycle of any organization. In a crisis, only active monitoring and listening, and strategically balancing communication with traditional and social media are the right approach.
6. Conclusion

Crisis often become inevitable situations for any individual company, regardless of its size and its reputation. To ensure resilience to crisis, leaders are required to create a culture & develop mechanism that can facilitate the prediction of threats and risks, assist quick and effective responsiveness in an honest way when threats appear. This assists companies to minimize the extent of loses during & after a crisis and above all to prevent the occurrence of a reputational damage. The requirements for a results-oriented leadership are especially demanding in a crisis and post crisis period of time. Though companies are incapable of comprehensive preparation for crises, they can put in place various scientific management processes, to incorporate crisis management practices into operations and to integrate potential risks and vulnerability assessments into the process of strategic debate and planning. The restoration of corporate reputation is among the most significant issues that has to be prioritized by corporate leaders but also to be acknowledged the possible opportunities that may arise. In his way, the post-crisis recovery may be considered as an opportunity for changes & improvements and once again the role of corporate leaders is important. Therefore, effective leadership can end up turning a crisis into another opportunity.

6.1 Limitations

There are some limitations regarding the present study; specifically, here mainly literature review is applied as main methodological approach whereas an empirical study through distribution of questionnaires in organizations experiencing stressful situations and risk of damage of corporate reputation could add value or/and enhance our findings. Also, the perspective of the research context could be enhanced examining the influence of specific factors such as corporate culture, organizational climate, market characteristics and other on leadership approach dealing with a crisis as well as how corporate reputation may also influence leadership style in a stressful situation.

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Factors influencing the trust-level of Hungarian negotiators in cross-cultural business contexts

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Keywords
Business, cross-cultural contexts, Hungarian negotiators, trust

Abstract
Trust is considered to be an essential element of effective business relationships. However, it is not easy to build trust as it varies from culture to culture which aspects influence trust-level. Therefore, this paper discusses the importance of trust in cross-cultural business contexts from the viewpoint of Hungarian negotiators, using data deriving from a two-phase research. In the first phase of the research, a questionnaire survey was used to assess the importance of trust in cross-cultural business contexts, and then structured interviews were conducted to reveal the factors influencing the level of trust. The findings provide insights about the role of trust as well as the factors affecting it in cross-cultural business contexts to shed light on the possible consequences of the low level of trust to business success. The paper also draws up some conclusions and recommendations in general as well as for representatives of companies doing business with Hungarian partners.

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Introduction
The past decades have seen the globalization of business environment. This has induced the increasing number of business relations between partners coming from different countries and cultures. As a result of this, considerable attention has been focused recently on the investigation of cross-cultural business activities (e.g. Ablonczy-Mihályka, 2014 and 2015; Adler and Aycan, 2018; Adler and Graham, 2017; Merkin, 2017; Szőke, 2013; Tompos, 2015), especially negotiations (e.g. Caputo et al., 2019; Dinkevych et al., 2017; Nádai, 2017; Peleckis et al., 2015). In spite of this, there are still some certain aspects of the research into cross-cultural business activities which have remained less explored, especially in Hungary and from a Hungarian viewpoint. One of these aspects is related to trust, i.e. the factors affecting it, the consequences of the lack of it, and its positive effect(s) on cross-cultural business relations.

Therefore, the present paper sets out to examine trust and the factors influencing it in cross-cultural business contexts. In particular, it aims to reveal the factors that affect the trust-level of Hungarian business actors when negotiating with foreign partners, which provides the originality of the paper. The rationale behind the investigation is the growing number of cross-cultural business activities involving Hungary, which necessitates business actors who are able to work with partners whose cultural background is different. However, doing business with foreigners is not easy as besides business aspects, social, political, and cultural ones must be considered as well. As a consequence of these, trust has been considered an important factor when doing cross-cultural business. Furthermore, according to Covey (2006), trust is the one thing that changes everything, as he points out, low trust is the greatest cost in life and in organizations since it creates inter alia interpersonal conflict, win-lose thinking, defensive and protective communication.

The first part of the paper gives a brief overview of trust in general and the factors that may influence it. The second part discusses the methods and results of the research examining the factors that affect the trust-level of Hungarian negotiators in cross-cultural business contexts. The research to be discussed in this paper was a two-phase one, thus both the findings of the quantitative part and those of the qualitative part are introduced. Finally, the paper draws up some conclusions related to the factors affecting the trust-level of Hungarian negotiators and makes some recommendations for both the

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Hungarian negotiators and the representatives of companies doing business with Hungarian partners so that the relations could be more effective and the occurring negative effects of the low trust-level could be avoided.

**Literature review**

Trust is a well-researched concept at international level, since researchers in all parts of the world have been investigating the concept of trust for more decades (e.g. Covey, 2006; Doney et al., 1998; Fukuyama, 1995), but it is less explored in Hungary. In highlighting the importance of trust, it is inevitable to mention that trust is a complex, multifaceted concept with many interpretations.

According to The Explanatory Dictionary of the Hungarian Language, trust is one’s feeling towards someone whose honesty, resistance, good abilities, intentions, and helpfulness one is persuaded of (Bárczi and Országh, 1962). Similarly, Cummings and Bromiley (1996, p. 303) state that trust is nothing else than “an individual’s or group’s belief that another individual or group makes efforts to uphold commitments, is honest, and does not take advantage given the opportunity”. An analogous, but broader definition was drawn up by Ring and Van de Ven (1992), who identified trust as the reaction of an individual to subjective uncertainty regarding the behavior of the interaction partner. This concept includes expected as well as uncertain, and thus feared behavior of the partner. According to another concept, trust is a belief or confidence that one party has about another party’s characteristics that may increase willingness to take risks and ultimately help “solve” the social dilemma (Ferrin et al., 2007).

Based on the above definitions, it is obvious that trust is an issue that may be approached from different viewpoints and can be defined in several ways. Yet two basic views of the concept of trust can be distinguished, i.e. the faith-based and the risk-based ones, which is reflected by the aforementioned definitions. These two aspects do not contradict each other; however, they focus on diverse issues. According to the faith-based approach, the source of trust is the partners’ faith in each other, thus the partners put faith in each other’s reliability and honesty (Kumar, 1996). Based on this approach, trust is the sum of belief and expectations, and the intention of the partners to behave as expected (Doney et al., 1998). On the contrary, according to the risk-based view, trust is a positive perception of the partner’s behavior in such a way that the partner does not act in an opportunist way in case of any change of circumstances (Das and Teng, 2004). Thus, trust means that partners voluntarily take risks despite they become vulnerable to the other. This notion is closely related to the theory of transaction costs (Coase, 1937). Factors belonging to transaction costs and influencing trust are relation-specific investments, behavioral uncertainty/replaceability, and exchange of information. Nevertheless, there are some other factors that have influence on trust like, for instance, the perceived conflict, the perceived satisfaction, and the business partner’s reputation. These factors derive from social exchange theory, according to which every human relation is determined by the analysis of contributions and advantages (Thibaut and Kelley, 1959).

Regarding the factors that can lead to trust (or distrust) in general, numerous, and sometimes overlapping examples can be found in literature. Out of these, Adler (2001) emphasizes the following three factors: familiarity through repeated interaction, calculations based on interests, and values and norms that create predictability and trustworthiness. Besides these, there are, of course, other factors which may influence trust like direct interpersonal contact, reputation, honesty, competence, loyalty, openness (Adler, 2001), communication (Thomas et al., 2009), emotional bonding (Eberl, 2004), stereotypes (Peleckis et al., 2015), and cultural differences (e.g. Finuras, 2019; Fukuyama, 1995).

Despite the diversity of concepts and influencing factors, researchers agree that trust is an essential element of effective business relationships and can facilitate business relations because one who believes the partner is trustworthy will develop a higher willingness to risk. It is particularly true when business takes place between partners with different cultural backgrounds. Hofstede (1991) states that culture is nothing else than the mental programming of the mind, therefore different cultures perceive business relations in different ways. This idea is supported by more researchers (e.g. Aulakh and Kotabe, 1996; Doney et al., 1998; Finuras, 2019) who also assume that trust in business relations correlates with national culture. Other researchers (e.g. Hall, 1995; Håkansson and Snehota, 1995) even go beyond this as they state that national culture determines the relationships as well as those behavioral factors that affect the evolution and the level of trust. Consequently, the factors influencing the development and the level of
trust vary from culture to culture.

Research methodology
Based on the above, the purpose of this paper is to discuss the importance of trust in cross-cultural business contexts from the viewpoint of Hungarian negotiators as well as to reveal the factors influencing their trust-level to determine which factors affect mostly the trust-level, and which ones decrease it so that the potential consequences of the low level of trust could be illustrated. Considering that the research investigates cross-cultural business relations, its assumption is that it is mostly the cultural stereotypes that influence the trust-level of Hungarian negotiators. Consequently, the research to be discussed in this paper was a two-phase research using different methods. In the first phase a quantitative research was carried out to assess, inter alia, the importance of trust in cross-cultural business contexts as well as to find out about the factors influencing the level of trust. This survey was a joint work of the author with a colleague, and some partial results have already been published, but from aspects other than trust (cf. Kecskés, 2019; Szőke, 2019). In the second phase a qualitative research was conducted by the author on her own to reveal, in more details, those factors that influence trust and to investigate which factors increase and which ones decrease the level of trust so that more accurate conclusions could be drawn regarding the effect of these factors on trust as well as on the relation itself. Nevertheless, the present paper discusses only those factors that decrease trust-level to shed light on the possible consequences of the low level of trust to business success. Besides trust, the qualitative research involved the role of stereotypes in building and developing trust, however, it is not a topic to be discussed in the present paper.

The quantitative part of this research is based on a survey carried out in Hungary among Hungarian business actors frequently working and communicating with partners coming from different cultures. The questionnaire was online and self-administered, and convenience sampling was used to recruit respondents, therefore the findings of the research cannot be applied to the whole population, i.e. all Hungarian business actors frequently involved in foreign business relations. The questionnaire investigated the role of stereotypes and trust in corporate relations, consequently it was divided into four parts out of which one contained demographic questions, one referred to the company of the respondent, one investigated trust, and another one examined the role of stereotypes in corporate relations. Among the questions there were rating questions (by means of 5-point scales), close-ended and open-ended ones. The analysis of the responses was carried out by means of descriptive statistics excluding multivariate regression analysis. A total of 204 questionnaires were filled out, however, after data cleansing the responses of 124 could be examined. The respondents’ demographic data are as follows: the questionnaire was filled out by 75 male and 49 female respondents. 15 subjects stated they are in upper managerial positions, 18 are middle managers and 91 are employees. 72 out of the 124 respondents are younger than 35, 49 are aged between 36 and 55, and 3 are older than 55. As for qualifications, 102 respondents hold a bachelor’s or master’s degree, 21 did not take part in tertiary studies, whereas one subject has PhD.

The qualitative part of the research is based on structured interviews conducted among some of the respondents of the quantitative part of the research. The interviewees were selected by snowball method, so first the interviewees were selected from the author’s own network, and then other interviewees were ‘snowballed’ by the firstly selected subjects. As a result of this method, a total of 33 interviews were conducted. The content of the interviews was examined by the methods of meaning coding, meaning condensation, and meaning interpretation, as described by Kvale (1996). As for the demographic data of the interviewees, it can be said that there were 21 female and 12 male subjects. Three claimed they are in upper managerial positions, 6 are middle managers and 24 are employees. As for age, 18 interviewees are younger than 35, 15 are aged between 36 and 55, and none of them is older than 55. All but one interviewee finished their tertiary studies.

Findings
The present paper discusses some results of the third part of the questionnaire survey and those findings of the qualitative research that are related to trust and the factors decreasing its level. Firstly, the importance of trust is introduced from the viewpoint of the subjects, then the factors influencing the trust-level of the respondent Hungarian business negotiators are demonstrated, and finally, the factors decreasing the level of trust are examined to shed light on the consequences these factors might have with
regard to the relation.

The questionnaire survey sought for information about the importance of trust in cross-cultural business contexts and found out that trust is seen as a very important factor of business relations, according to the subjects. Some respondents even went beyond that by stating that trust is not only very important, but, in fact, a key element. The respondents were also invited to tell what trust means to them with the help of an open-ended question. The most common responses included mutual confidence, reliability, fairness, commitment, and unconditional, honest communication. The data deriving from the structured interviews confirm these ideas since none of the interviewees believe that trust is of less importance. In answering the question referring to the meaning of trust, obviously, notions similar to those of the quantitative research were mentioned. It was found out that for the majority of the interviewees (85%) trust means reliability, however, honest communication (36%) was also turned out to be an important element of trust for them. Besides these, cooperation, predictability, fairness, responsibility, loyalty, mutuality, less risk, and even punctuality of payment was reported by the interviewees. In general, the responses given suggest that the respondent Hungarian negotiators perceive trust from its faith-based view seeing that trust is equivalent to reliability from their viewpoint. Nevertheless, a few responses (e.g. less risk) were related to the risk-based view of trust.

To determine the factors influencing the trust-level of the respondents, 16 items in the form of attitude statements were used in the questionnaire. Five-point scales (1: fully disagree, 2: disagree, 3: neither agree nor disagree, 4: agree, 5: fully agree) were applied to measure the items. Analyzing the responses given, it turned out that it is the communication between the partners (mean: 4.62; standard deviation: 0.57) that exerts the greatest influence on the level of trust, after that the duration of the relationship (mean: 4.32; standard deviation: 0.74), and then the frequency of contacts (mean: 4.17; standard deviation: 0.84). These suggest that the style, frequency, and honesty of communication positively affect the development of trust as well as its level. On the other hand, it seems that the more lasting and frequent the relations are, the more the respondents trust their foreign partner. The factors that exert the least influence on the trust-level were found to be the prejudices related to the partner’s country (mean: 2.87; standard deviation: 1.04), the negative stereotypes known about the partner’s country (mean: 2.95; standard deviation: 1.07), and the positive stereotypes known about the partner’s country (mean: 3.14; standard deviation: 1.04). Considering that the standard deviation was high in each case, the median was also examined and proved to be 3 in each case. These results indicate that the respondents are divided from the viewpoint of the influencing role of stereotypes. It is also demonstrated by the fact that 34.7% of the subjects agreed to some extent with the influencing role of positive stereotypes, whereas 30.7% agreed somewhat with that of negative stereotypes. As for prejudices, 27.4% agreed to some extent that they have an impact on trust. In view of these findings, it is of particular interest which factors influence trust in general, according to the respondents of the qualitative research.

For the present purposes, the responses given to this question were coded and categorized so that they could be compared to those of the questionnaire survey. As a result of this method, the factors that influence the level of trust the most were revealed to be as follows, in order of their importance: previous experience, reliability, stereotypes, news and rumors about the given country/company, the duration of the relationship, and common goals and values. Nevertheless, a few interviewees believe that cultural differences, nationality, reputation, the partner’s personality, cooperation, helpfulness, flexibility, openness, and the first impression also pertain to the influencing factors in general. When comparing the findings of the quantitative analysis with those of the qualitative one, it can be seen that the influencing factors are to some extent different, especially if it is taken into consideration that honest communication, which is considered to be the most important factor by the respondents of the questionnaire survey, was not even mentioned by the interviewees. Furthermore, the only factor that was mentioned in both phases of the research is the duration of the relationship. Another interesting result is related to stereotypes which are seen as the least important factor by the respondents of the first research phase, but according to the interviewees, these pertain to the most influencing ones. However, it is sufficient to point out that respondents, in the first phase of the research, were asked to evaluate predetermined alternatives, whereas they responded freely to an open-ended question in the second phase, which may contribute to these differences. Nevertheless, when the interviewees were invited to talk about those factors that
influence their trust-level in case of cross-cultural business contexts, slightly different results were found again. The vast majority of them (91%) stated that previous experiences is the factor that influences them the most. Besides this, communication, reliability, the duration of the relationship, personal acquaintanceship, and stereotypes are those factors that have an impact on the trust-level of a relatively high rate of the subjects. Consequently, it can be concluded, in spite of the differences in the data stemming from the two phases of the research, that the subjects attribute the greatest influencing role to factors related somehow to the relationship itself, i.e. previous experiences, honest communication with the partner, the duration of the relationship, the partner’s reliability, and the frequency of contacts. Nevertheless, the effect of stereotypes on trust are not negligible either as the findings, especially those of the second phase indicate it.

To determine the potential consequences of the low level of trust, it was also investigated, within the frames of the interviews, which factors decrease the trust-level of the subjects. It turned out that it is mostly the previous negative experiences (e.g. unkept promises, mistakes, lies, insolvency) that decrease the level of trust. Nevertheless, inappropriate communication, stereotypes, and the lack of experience were also mentioned as important trust-decreasing factors by most of the interviewees. Nationality, prejudices, envy, and jealousy were found to decrease the level of trust only in case of a few interviewees. Based on these results, it can be assumed that if the level of trust is low because of the previous negative experiences, especially those ones mentioned by the interviewees, it can lead to negative consequences like a more formal regulation of the relationship to avoid uncertainty, or even the discontinuation of the relationships. The trust-decreasing effect of inappropriate communication may result in more common misunderstandings or defensive communication, which can further decrease the level of trust generating this way a vicious cycle. Stereotypes, once again, were found to be of importance, however, in this case from a negative viewpoint, as it seems that negative stereotypes tend to decrease the trust-level of the interviewees, which may lead to changed behavior and attitude towards the foreign business partner. Based on these results, it can be stated that cultural stereotypes do have an impact on trust, although not to the greatest extent.

Discussions and conclusions

The present paper investigated the factors influencing the trust-level of Hungarian business negotiators in cross-cultural business contexts. First, secondary research was conducted, and the importance of trust in business relationships was studied. Having reviewed the literature of trust, it was found out that trust is a concept that is well-researched worldwide but is less explored in Hungary and from a Hungarian aspect. Literature review involved the concept of trust as well as the factors influencing it in general. A relationship between cultural differences and trust was also found, therefore, conducting primary research on the factors influencing the trust-level of business actors of a certain nation/culture is proved to be of importance. As a consequence of the aforementioned, an empirical research into the influencing factors of Hungarian negotiators’ trust-level in cross-cultural business contexts is novel and provides the originality of the present paper.

The research presented in this paper had two phases. At first a quantitative survey was conducted, and then a qualitative one. The research findings show that trust is important for the respondent Hungarian negotiators in case of their cross-cultural business relationships. It was also found that the majority of the respondents perceive trust from its faith-based view considering that they interpret trust as reliability, and only a few of them perceive trust from its risk-based view. In analyzing the factors influencing the trust-level of the respondents, interesting, but sometimes contradictory results were found. On the one hand, it was revealed that in general previous experiences, reliability, and stereotypes affect trust, according to the respondents. On the other hand, in connection with the factors that influence the subjects’ trust-level, factors related to the relationship itself (e.g. previous experiences, honest communication, reliability, and the duration of the relationship) were found to have the greatest influence, and interestingly, stereotypes were identified as less influencing factors, despite it was among the top three contributors to trust in general, according to the respondents. These findings show that, in contrast with the assumption of the paper, it is not the stereotypes that affect the trust-level of the respondent Hungarian negotiators the most. Therefore, the assumption is rejected. Yet, it must be mentioned that even though they are not the most influencing factors, their relevance is unquestionable.
since a significant number of the subjects attach importance to them. It was also investigated which factors decrease the level of trust to shed light on the possible consequences of the low level of trust. It turned out that previous negative experiences, improper communication, and stereotypes (obviously negative ones) influence the trust-level of the respondents in a negative way. These suggest that the possible outcomes of the low trust-level include more regulated relationships to avoid further negative experiences as well as uncertain and feared situations, more misunderstandings and protective communication as a result of inappropriate communication, and even changed behavior and attitude towards the foreign business partner caused by stereotypes.

Based on the research findings, it can be concluded that it is the factors related to the relationship itself that have the greatest influence on the trust-level of the respondent Hungarian negotiators. Nevertheless, stereotypes are of importance as well. Therefore, on the one hand, it is recommended that, as Tompos (2014) states, Hungarian business professionals should know and use stereotypes accurately to understand the different perspectives of the foreign partner which could help avoid a decrease in the level of trust and reach business success. On the other hand, it is suggested for those foreigners who do business with Hungarians that they should be aware of the fact that stereotypes sometimes affect their Hungarian partner’s attitude, so they should act upon this end in view. Furthermore, both the Hungarian and the foreign business actors are recommended to keep in mind that trust is a mutual concept, thus everyone should be trustworthy, communicate honestly, and try to avoid mistakes to have successful and lasting business relationships.

Limitations and direction for future research

This paper, of course, is not without any limitations. First of all, the review of literature has been limited to only those sources which are closely related to the present topic; therefore, it is believed that future works should include more sources with diverse aspects. The inclusion of sources with other viewpoints would shed more light on the factors influencing trust-level other than those discussed in the present paper. Secondly, the quantitative survey, by being online and self-administered, and the convenience sampling together resulted in a low number of respondents, which did not allow for drawing general conclusions referring to the population. Even though no other sampling method seemed to be appropriate due to the willingness of individuals to take part in surveys, future works should try to apply another method to increase the sample size. The same applies to the qualitative research, i.e. the number of interviewees should be increased to get a broader picture about the factors influencing trust. Lastly, for the purposes of the present paper, descriptive statistics were used by means of linear regression, however, in the future multivariate regression analysis should be conducted to investigate the correlations between the variables and to be able to study the concept of trust in a deeper and broader aspect. This leads us to one of the future directions of the research, i.e. to carry out multivariate regression analysis. Another direction should focus on the differences in trust-level related to the country of origin of the foreign business partner. In connection with that the research should investigate, on the one hand, whether Hungarians trust some nations, cultures easier or better than others, and if yes, what is the reason for this. On the other hand, it may as well be investigated whether trust-level is influenced by different factors depending on the partner’s country of origin.

References


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Trade structure as an enabler of economic growth in Africa

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Keywords
Concentration, exports, growth, intra-industry, trade, structure

Abstract
The role of trade structure in determination of economic growth has not been empirically given as much attention as trade openness and trade volume. This is despite the fact that trade openness and trade volume are affected by other influences arising from nontrade growth factors. Hence, we present the role played by trade structure in enabling economic growth in Africa. Using a panel data regression with fixed effects, we regress Gross Domestic Product growth against trade structure variables and other standard explanatory variables for eighteen African countries. Trade structure consists of concentration of trade, intra-industry trade and number of exported goods. To measure concentration of trade, the Hirschman Herfindahl (HHI) index is used while the Grubel-Lloyd (1975) index of intra-industry trade is computed to measure intra-industry trade. Other standard explanatory variables included are gross capital formation, inflation and population growth. We conclude that for African countries, trade structure positively determines economic growth since the variables intra-industry trade and number of exported goods are positively related to Gross Domestic Product. We also conclude that gross capital formation and population growth can lead to economic growth as they are positively related to Gross Domestic Product. Inflation is negatively related to Gross Domestic Product. African countries have a high probability of realising economic growth if they focus on increasing the number of exported products, intra-industry trade, domestic investment and cautiously allowing for population growth. Population growth needs to be treated with caution as it should be sustainable, considering resource availability. It is important for the countries to keep inflation as low as possible as it retards growth. The paper makes original contribution towards empirical literature on the impact of trade structure on economic growth in African countries, an area which has been largely ignored in the past.

Introduction
The role of international trade in determining economic growth is becoming increasingly important with exports contributing 30% to Gross Domestic Product (GDP) globally in 2018 up from 18% in 1988 (World Bank, 2019). It becomes therefore important for countries to focus on trade policies to realise increased growth and these include policies on trade structure. Due to increase in economic integration, the trade structures of countries worldwide has been changing. According to Kali, Méndez and Reyes (2007), the changes experienced over the last decades of globalization are more pronounced in terms of the structure of trade than in the volume of trade itself.

However, empirical literature has not given much attention to trade structure despite its increasing importance in determining trade (Rodriguez and Rodrik, 2001). Rather, trade volume, measured in monetary terms and trade openness have been used interchangeably to refer to trade and this has led to inconsistency in definition of trade and methodological problems (Rodriguez and Rodrik, 2001). Further, because trade openness or trade volume are affected by other influences arising from nontrade growth factors such as exchange rate, empirical estimation attempts have failed to isolate the pure impact of trade on economic growth (Rodriguez and Rodrik, 2001). The study of trade structure characteristics could lead to new ways of understanding the trade-growth relationship (Kali et al., 2007).

The purpose of this paper therefore is to present the role played by trade structure in enabling economic growth in Africa. The first hypothesis is that trade structure does not enable economic growth in Africa. The second hypothesis is that the standard explanatory variables do not enable economic growth in Africa. The specific trade structure variables of interest are number of exported goods, concentration of
trade and intra-industry trade. Gross capital formation, inflation and population growth are the standard explanatory variables. We carry out panel data regression using fixed effects for the period 1988 to 2017 from a sample of eighteen countries in Africa. These countries are Egypt, Gabon, Gambia, Ghana, Guinea, Kenya, Madagascar, Malawi, Mauritius, Morocco, Namibia, Niger, Seychelles, South Africa, Togo, Zimbabwe, Tanzania and Uganda. The countries represent one third of African countries and they are drawn from various African regions.

Our findings suggest that for African countries, trade structure positively determines economic growth, thereby we reject the null hypothesis for trade structure variables intra-industry trade and number of exported products. We also reject the null hypothesis for the standard explanatory variables since they determine GDP growth in different ways. The paper makes significant contribution towards empirical literature as it gives policy implications for trade structure and other standard economic variables on economic growth in Africa.

For the African countries, the mean number of exported goods was on an upward trajectory from 1988 to 2013. However, from 2014 onwards it started to decline as shown in Figure 1. This decline was largely due to the fall in the price of commodities, the overall appreciation of the US dollar and weaker demand (UNCTAD, 2016).

Further, the majority of the countries have low mean trade concentration suggesting that they have a high number of trading partners. Trade concentration gives a reflection of the degree to which a country’s trade is concentrated on a small number of trading partners (UNDP, 2015). The Gambia and Niger have the highest mean of trade concentration at 0.32 and 0.39 respectively while Egypt and Uganda have the lowest mean of trade concentration at 0.06. Empirical literature has mixed views about whether concentration of trade is advantageous or not. Trade costs be minimised by high trade concentration and local investment promoted (Frankel, Stein and Wei, 1995). However, Kali et al., (2007) suggest that low concentration at the industry level might lead to economies of scale, stronger competitive positions, output growth and technology adoption. Countries that are less concentrated tend to be richer, with poor countries being highly concentrated (Bahar, 2016). Countries with more trading partners expand the potential market and adopt foreign technologies leading to greater productivity, hence economic growth (Grossman and Helpmann, 1991).

Using the Herfindahl-Hirschman (HH) Index of concentration, the trend analysis for the eighteen African countries reflects that concentration of trade has been falling, meaning that there has been a
The African countries experienced fluctuations in intra-industry trade, which is trade in essentially the same goods, over the period of study. The lowest intra-industry trade was experienced in 2009 and the highest was experienced between 2000 and 2004. Figure 3 shows these trends using the using Grubel-Lloyd Intra-industry trade index.

![Figure 2: Concentration of Trade - HHI of African Economies 1988-2017](image1)

Source: Authors’ own computation using WITS World Bank indicators (2019)

![Figure 3: Intra-industry Trade of African Economies 1988-2017 (using intra-industry trade index)](image2)

Source: Data from World Bank’s World Development Indicators (2019)

Figure 3 further shows that intra-industry trade fell in 2015, followed by a sharp increase. Balassa (1965) asserts that intra-industry enables countries to have higher productivity growth due to lower costs.

The next section is an analysis of theoretical and empirical literature on trade structure and economic growth, followed by methodology then empirical results and finally discussion and conclusions.

**Literature Review**

In this section, we analyse the literature related to trade structure and growth. We begin with an
analysis of theoretical literature, which highlights the conceptual and theoretical aspects of the paper followed by empirical literature which gives previous related research findings clearly showing the research gap for this paper.

**Theoretical Literature**

The conceptual aspects for this paper mainly concern intra-industry trade and concentration of trade. Intra-industry trade is the level at which countries trade in essentially the same goods (Salvatore, 2013). The countries with a higher level of intra-industry trade enjoy greater economies of scale in their firms (Sawyer and Sprinkle, 2004). Thus, countries contemplating joining or forming a regional trading block consider adjustment costs and these costs depend on the extent of intra-industry trade (Menon and Dixon, 1996). Balassa (1965) asserts that intra-industry trade entails lower costs of factor-market adjustment, implying that countries with a higher level of intra-industry trade tend to have higher productivity growth. The proportion of intra-industry trade in world trade has steadily grown over the last half century and the scale economies arising lead to more rapid productivity gains and hence faster growth (Krugman, 2015). However intra-industry trade is likely to be larger among industrial economies of similar size and factor proportions (Salvatore, 2013).

Concentration of trade is the degree to which a country engages in international trade with a limited number of partner countries. Trade costs are minimised by concentrating trade, especially costs associated with congestion of insufficient infrastructure, like ports and airports (Frankel et al., 1995). Trade-related public policies that promote local investments become easier and cheaper to implement when trade is concentrated among few partners.

Further, Kali et al., (2007) suggest that low concentration of trade has a positive impact on output growth in that it facilitates technology adoption since the implementation and dissemination of foreign innovations is made easier when more people become familiar with the language and the conventions of these innovations. Because rich countries hold and create more knowledge and have a more diversified economy, better infrastructure and more efficient governments, they are likely to benefit less from trade concentration than do poor countries (Kali et al., 2007).

Theoretically, studies on economic growth derive from the two main competing theories, namely Solow’s (1956) neo classical growth theory and Romer’s (1986) endogenous growth theory. Even though these theories do not consider trade or trade structure as drivers of economic growth, they explain another variable in this paper namely gross capital formation as a determinant of economic growth. According to Solow (1956), an economy grows as a result of increasing input of capital and labour. The impact on output per worker resulting from capital accumulation will continuously decline due to diminishing returns caused by population growth and the depreciation rate. In the long run an economy will gradually approach a steady state equilibrium and ceases to grow and the only way to dampen the effects of diminishing returns and grow is through an infusion of technological progress (Solow, 1956). Hence the theory takes the long-run growth rate as exogenously given from the economic system.

Romer (1986) and Lucas (1988), through the endogenous growth model, challenged the view that the only way to grow an economy was through an infusion of technological progress and stressed that the long-run rate of economic growth is determined by investment decisions endogenous to the economic system. Investment refers to research and development expenditures and human capital formation, as healthy and educated workers would be able to use existing capital and technology more efficiently (Romer, 1986; Lucas 1988). Knowledge spillover occurs such that investment in knowledge by one firm increases the production potential of other firms. Gundlach (2001) specify that the theoretical foundation for the impact of human capital on economic growth takes its roots within the endogenous theory. Hence, like the Solow growth model, the endogenous growth model by Romer and Lucas also largely ignore the role of trade structure as a determinant of economic growth.

However, the theories of intra-industry trade in differentiated products consider trade structure as a growth determinant. These are the product cycle theory, overlapping demands theory and economies of scale theory. Linder (1961), in the overlapping demands theory, also known as spillover theory suggest that trade in manufactured goods is likely to be greatest among countries with similar tastes and income levels. In the process of satisfying the domestic market the nations acquire necessary experience and
efficiency that enable them to subsequently export commodities to other nations with similar tastes and income levels (Linder, 1961). However, contrary to the overlapping demands theory, developed and developing nations enjoy a growing amount of intra-industry trade since there are people with similar tastes and incomes in developing and developed countries (Sawyer and Sprinkle, 2004).

The product cycle theory by Vernon (1966) also explains intra-industry trade and accounts for the reasons for and duration of the technological gap between countries that trade. The theory suggests that industrialised countries are innovative, hence they specialise in producing newly invented goods based on technological innovations. When production is completely standardised and the product loses its distinctiveness for the innovating country, comparative advantage shifts from the innovating country to a country with cheap labour, hence production and export shifts from the developed country to the developing country. The developed country may then import the product from the developing country, hence intra-industry trade (Appleyard and Field, 2014).

The economies of scale theory also explain intra-industry trade, where economies of scale are a reduction in average costs that result from an increase in size of a firm’s plant and equipment (Salvatore, 2013). With, increasing returns to scale, output grows at a rate that is proportionately more than the increase in factors of production. This can lead to greater division of labour and specialisation hence beneficial trade between nations that are identical (Salvatore, 2013). About a third of all goods-producing industries are characterized by increasing returns to scale and mutually beneficial trade can be based on these increasing returns to scale (Antweiler and Trefler, 2002).

**Empirical Literature**

Empirical literature suggests various determinants of economic growth in different countries. Most of the empirical work tests the significance of trade openness and trade volume to economic growth, thus, only a few studies have examined the empirical relationship between trade structure and economic growth. These include Lederman and Maloney (2003) who studied the influence of export concentration and intra-industry trade on economic growth. Results from the study proved that export concentration reduces growth by hampering productivity while intra-industry trade is associated with good growth performance.

Further, Kali et al., (2007) empirically tested the significance of number of trade partners and concentration of trade on the economic growth of a country. Standard Ordinary Least Squares and Fixed Effects regressions were used for the study and findings revealed that the structure of trade, independent from trade openness, contribute to economic growth. The study found a positive correlation between the number of trading partners and growth especially for rich countries and a positive correlation between trade concentration and growth especially for poor countries. Further, the relationship between intra-industry trade and economic growth was investigated, using the Panel Vector Autoregressive method for selected developed and developing countries for the period 2001-2014. The results showed that the relationship is positive for the developed countries and negative for the developing countries (Rasekhi and Ramezani, 2017).

Other studies on trade structure were carried out by Antweiler and Trefler (2002), who found out that a third of all goods-producing industries are characterized by increasing returns to scale, hence scale economies are a quantifiable and important source of comparative advantage and growth. Further, Basu and Das (2011) used the generalized kernel estimation methodology to examine the role played by skill and technology content of the exports so as to understand the differences in economic performance for eighty-eight developing countries over 1995 to 2007. Findings from the study suggested that as the skill and technology content of exports increased, the impact on GDP per capita increased positivity.

There are a number of studies that have tested the impact of different variables on economic growth including trade openness, trade volume and the standard explanatory variables used in this paper. These include Hossain and Mitra (2013), who examined the dynamic causal relationships between economic growth and five determinants, which are trade openness, foreign aid, domestic investment, long-term external debt and government spending for a panel of thirty three African countries for the period 1974 to 2009. A short-run bidirectional causality was found between economic growth and trade openness and the the long-run effects of trade openness, domestic investment and government spending on economic growth are significantly positive.
Further, Zahonogo (2017) investigated the impact of trade openness on economic growth in developing countries, using data from forty two sub-Saharan African countries for the period 1980 to 2012. A dynamic growth model was estimated using the pooled mean group estimation technique and findings suggested that sub-Saharan African countries can boost their economic growth through international trade by promoting trade openness. Anyanwu (2014) investigated the determinants of economic growth in Africa using an Africa-only sample with five non-overlapping three-year averages of cross-sectional data between 1996 and 2010. The results suggested that domestic investment, net ODA inflows, education, government effectiveness, urban population, and metal prices positively and significantly affect Africa's economic growth. A Bayesian Model was employed to find out the determinants of growth across countries and results suggested that education, trade and investment seemed to matter in recent growth periods (Bruns and Loomanidis, 2020).

Boldeanu and Constantinescu (2015) highlighted the main factors that can determine economic growth as ranging from public expenditure, openness and foreign direct investment. Further, Barro (2003) suggests that GDP per capita growth rate is enhanced by the rule of law, the investment ratio, favourable movements in terms of trade and increased international openness and it is negatively affected by fertility rate, ratio of government consumption to GDP and inflation rate. Higher education and international trade lead to an increase in economic growth in China while high fertility, high inflation, and the presence of state-owned enterprises (SOE) reduce growth rates among the provinces (Baizhu and Yi, 2000).

Other studies focused on entirely non trade variables in determination of economic growth. Ali (2012) investigated the factors that stimulated and maintained economic growth in Malaysia from the year 1997 to 2010 using time series analysis and found out that consumption price index, stock market index, export and housing price index were significant determinants. Further studies on determinants of growth were carried out by Cuaresma, Doppelhofer and Feldkircher (2014) who investigated determinants of regional economic growth for European Union regions for the period 1995–2005 using Bayesian model averaging. The findings suggest that regions containing capital cities are growing faster, as do regions with a large share of workers with a higher education.

Empirical findings by Moral-Benito (2012) suggest that the most robust growth determinants are the price of investment goods, distance to major world cities, and political rights while Obwona (2002) suggest that FDI has a positive impact on GDP growth in Uganda. Choe (2003) tested the causal relationships between economic growth and FDI in 80 countries over the period 1971–95, using a panel VAR model and the results showed that FDI Granger-causes economic growth, and vice versa suggesting a strong positive association between economic growth and FDI inflows. Keun and Byung-Yeon (2009) studied the determinants of long-run economic growth by conducting cross-section estimations and fixed-effects panel and system-GMM estimations and found out that technology and tertiary education and institutions were the determinants of long-run economic growth.

The analysis has revealed that there is significant empirical literature on trade and economic growth and also on other determinants of economic growth. However, there is very little literature on trade structure and economic growth, especially for African countries. This paper therefore fills this gap by providing the impact of trade structure on growth of African economies. An analysis of the research methods employed follows in the next section.

Research Methodology

This section presents the methods that were employed in this paper to determine whether trade structure is an enabler of economic growth in Africa or not. The econometric model and estimation methods employed are discussed.

Econometric Model

An econometric estimation of panel data from the eighteen African countries is done. Our econometric specification follows Levine and Renelt (1992) whereby the rate of GDP growth is regressed against a set of explanatory variables that capture trade structure, a vector of standard explanatory variables and total trade. We introduce the variable of interest first, namely trade structure and the other variables now standard in the literature, to examine both robustness and suggestive channels of influence. The general equation for this paper is given as equation 1.
The general equation, the specific equation is given as equation 2, where there the dependent variable, GDP is the Gross Domestic Product growth of the African countries per year.

\[ \text{GDP}_{it} = \beta_0 + \beta_1 \text{Trade Structure}_{it} + \beta_2 \text{Standard Explanatory Variables}_{it} + \beta_3 \text{No. Of exported Products} + \beta_4 \text{Gross capital formation}_{it} + \beta_5 \text{Inflation}_{it} + \beta_6 \text{Population growth}_{it} + u_{it} \]

To measure intra-industry trade, we use the index by Grubel-Lloyd (1975), which provides a relatively reliable measure of intra-industry trade. The index is calculated as shown in equation 3, where \( X_i \) is the value of exports and \( M_i \) is value of imports of good \( i \) and \( X - M \) is an absolute value.

\[ \text{Intra-industry trade (IIT) Index} = 1 - \frac{(X_i - M_i)}{(X_i + M_i)} \]

The intra-industry trade index ranges from 0, where there is no intra-industry trade to 1, where 100% of trade is intra-industry trade. The weakness of the index is that one can get very different values depending on how one defines the industry or product group. The more broadly one defines the industry or product group, the more likely a country will engage in intra-industry trade (Sawyer and Sprinkle, 2004).

The Hirschman Herfindahl (HH) index is used to measure concentration of trade. The index is calculated as shown on equation 4.

\[ \text{HH Index} = \sum_{j}^{N} \left( \frac{T_{ij}}{T} \right)^{2} \]

where \( N \) denotes the total number of trading partners and \( T_{ij} \) is the total value of trade (exports plus imports) between countries \( i \) and \( j \). A country with trade that is concentrated in a very few markets will have an index value close to 1 while a country with a perfectly diversified trade portfolio will have an index close to zero (World Bank, 2019). This index is widely used in studies that focus on general indicators of economic concentration (Antweiler and Trefler 2002). The third trade structure variable of interest is the number of exported goods per year from all sectors of the eighteen African countries.

Data on the number of exported goods per country and the Hirschman Herfindahl (HH) index were extracted from WITS World Bank indicators (2019). GDP growth, Gross capital formation, inflation and population growth were extracted from World Bank’s World development indicators (2019). Data for computing the Grubel-Lloyd (1975) index of intra-industry trade (IIT) was also extracted from World Bank’s World development indicators (2019).

Estimation of the model

This section explains how the model described is estimated. The Durbin - Wu - Hausman test is carried out to determine whether to use fixed or random effects estimation. Fixed effects are widely thought to be a more convincing tool for estimating, while random effects are used when as many time constant controls as possible are included amongst the explanatory variables (Wooldridge, 2006). The following is the hypothesis for the Durbin - Wu - Hausman test:

\[ H_0 : \alpha_i \text{ are distributed independently of } X_j \]
\[ H_A : \alpha_i \text{ are not distributed independently of } X_j \]

Under the null hypothesis, the test statistic has a chi squared distribution. If the null hypothesis is not rejected, then both random and fixed effects are consistent. However, in that case the fixed effects becomes inefficient as it involves estimating unnecessary dummy variable coefficients and the random effects model should therefore be used (Dougherty, 2014). If the null hypothesis is rejected, it means random effects estimates are subject to unobserved heterogeneity bias and differ systematically from fixed effects estimates. and the fixed effects model should be used (Dougherty, 2014).

We then run the Hausman test to choose the best estimation technique between fixed and random
effects. The results are presented on table 1.

<table>
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<th>Test Summary</th>
<th>Chi-Sq. Statistic</th>
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<th>Prob</th>
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<td>6</td>
<td>0.0314</td>
</tr>
</tbody>
</table>

Source: Author’s own computation using data from World Bank’s World Development Indicators (2019)

Table 1: Correlated Random Effects - Hausman Test

The results of the Hausman test indicate that the best estimation technique is the fixed effects. We therefore reject the null hypothesis and conclude that the fixed effects is the best estimator.

Unit Root tests

The Levin-Lin-Chu Test for unit root suggests the following hypothesis: \( H_0: \) each time series contains a unit root and alternatively \( H_A: \) each time series is stationary. The Im-Pesaran-Shin (IPS) test is not as restrictive as the Levin-Lin-Chu test, since it allows for heterogeneous coefficients. The null hypothesis for the IPS test is that all individuals follow a unit root process that is: \( H_0: \rho = 0 \) \( \forall i \). The alternative hypothesis allows some (but not all) of the individuals to have unit roots: \( H_A: \rho_i < 0 \) for \( I = 1,2,\ldots,N_1 \) or \( H_A: \rho_i = 0 \) for \( I = N_1 + 1,\ldots,N \).

Using Levin, Lin, and Chu tests the results show that variables are stationary after first differencing except for GDP growth, inflation and population growth. However, under the Im, Pesaran and Shin stationarity tests, variables are stationary at levels except for number of exported products and HH index. Given these results, stationarity tests thus provide strong evidence of stationarity at level and first differences, allowing for estimation of the model.

Diagnostic tests

The diagnostic tests carried out are multicollinearity, wald test of joint significance and panel cross-section dependence test. The results showed no evidence of multicollinearity. The Wald test is used to find out if explanatory variables in the model are significant. If the Wald test shows that the parameters for certain explanatory variables are zero, the variable can be removed from the model. If the test shows the parameters are not zero, it can be included in the model. The null hypothesis is that variables are not jointly significant in explaining growth thus: \( C(1) = C(2) = C(3) = C(4) = C(5) = C(6) = 0 \). Table 2 shows results from Wald Test of joint significance.

<table>
<thead>
<tr>
<th>Test Statistic</th>
<th>Value</th>
<th>Df</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-statistic</td>
<td>4.673189</td>
<td>(6, 498)</td>
<td>0.0001</td>
</tr>
<tr>
<td>Chi-square</td>
<td>28.03914</td>
<td>6</td>
<td>0.0001</td>
</tr>
</tbody>
</table>

Source: Authors’ own computation using data from World Bank’s World Development Indicators (2019)

Table 2: Wald Test of joint significance

We reject the null hypothesis based on the results of the Wald test and conclude that variables are jointly significant. The disturbances in panel data models are assumed to be cross-sectionally independent, but considerable evidence show that cross-sectional dependence is often present in panel regression settings. The problem of cross-sectional dependence is that it results in estimator efficiency loss and invalid test statistics. Hence, we carry out the panel cross-section dependence test. The null hypothesis is that no cross-section dependence may be stated in terms of the correlations between the disturbances in the different countries and it is stated as follows;

\[ H_0: \rho_{ij} = Corr(u_{it}, u_{jt}) = 0 \quad \text{for} \quad i \neq j \]

The results of the cross-section dependence tests presented on Table 3.

<table>
<thead>
<tr>
<th>Test</th>
<th>Statistic</th>
<th>d.f</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breusch-Pagan LM</td>
<td>171.2520</td>
<td>153</td>
<td>0.1486</td>
</tr>
<tr>
<td>Pesaran scaled LM</td>
<td>1.043396</td>
<td></td>
<td>0.2968</td>
</tr>
</tbody>
</table>
Bias-corrected scaled LM | 0.721967 | 0.4703
Pesaran CD | 5.269479 | 0.0000

Source: Authors’ own computation using data from World Bank’s World Development Indicators (2019)

Table 3: Panel Cross-Section Dependence Test Results

The results on table 3 show that three out of four tests prove no serial correlation on residuals between the African countries. We therefore fail to reject the null hypothesis and conclude that there is no cross-section dependence on correlations between the disturbances in the eighteen African countries. The next section is an analysis of empirical results.

Presentation and discussion of empirical results

Even though fixed effects is the best estimator, based on the Durbin – Wu - Hausman test, we present results for both fixed and random effects estimations on table 4 to check for the robustness of the results.

<table>
<thead>
<tr>
<th></th>
<th>Fixed Effects Coefficient</th>
<th>Random Effects Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Concentration</td>
<td>-2.302597</td>
<td>-2.041327</td>
</tr>
<tr>
<td>Intra-industry trade</td>
<td>7.633722***</td>
<td>8.449605***</td>
</tr>
<tr>
<td>Number of exported Products</td>
<td>0.002160**</td>
<td>0.002401**</td>
</tr>
<tr>
<td>Gross fixed capital formation</td>
<td>0.122346***</td>
<td>0.131268***</td>
</tr>
<tr>
<td>Inflation</td>
<td>- 0.001244**</td>
<td>- 0.009544**</td>
</tr>
<tr>
<td>Population growth</td>
<td>0.825857**</td>
<td>0.466243**</td>
</tr>
<tr>
<td>Constant</td>
<td>2.651818</td>
<td></td>
</tr>
</tbody>
</table>

*** p<0.01 – statistical significance at 1% level
** p<0.05 – statistical significance at 5% level
* p<0.1 - statistical significance at 10% level

Source: Authors’ own computation using data from World Bank’s World Development Indicators (2019)

Table 4: Fixed Effects and Random Effects results

The results from both fixed and random effects estimations are almost similar therefore proving their robustness. For interpretation however, we use results from the best estimator, fixed effects estimation. The results indicate that trade structure variables namely intra-industry trade and number of exported products are significant in enabling GDP growth with positive coefficients. This result suggests that a change in trade structure through an increase in intra-industry trade and number of exported products can lead to an increase in economic growth for African countries. We therefore reject the null hypothesis for these two trade structure variables. Our findings on intra-industry trade thus concur with empirical literature as Krugman (2015) notes that the scale economies arising from intra-industry trade lead to more rapid productivity gains and hence faster growth.

The results also show that the relationship between concentration of trade and GDP is inverse and not significant. We therefore fail to reject the null hypothesis for this trade structure variable. This finding concurs with the conclusion by Kali et al., (2007) that positive correlation between the number of trading partners and growth is especially pronounced in rich countries and African countries are not rich.

We reject the null hypothesis for the standard explanatory variables since they are statistically significant in enabling GDP growth. Our findings suggest that an increase in gross capital formation and population growth can lead to economic growth in Africa. The finding on gross capital formation concur with Romer (1986) and Lucas (1988) who stressed investment in the form of research and development expenditures as a determinant of long run growth. Similarly, Hossain and Mitra (2013) found that for African countries, domestic investment and economic growth are significantly positively related. Our findings on population growth however do not concur with some empirical literature as Barro (2003) suggests that GDP per capita growth is negatively affected by fertility rate.

Further, the findings reveal that inflation is significant with an inverse relationship to GDP growth. An increase in inflation can therefore cause a fall in economic growth in Africa. Empirically, Barro (2003) suggests that GDP per capita growth is negatively affected by inflation rate while. Baizhu and Yi, (2000)
also suggested that high inflation, reduces growth rates of economies.

**Conclusions**

We conclude that for African countries, trade structure positively determines economic growth. Holding other factors constant, an increase in intra-industry trade between countries can lead to economic growth as the countries benefit from specialisation and economies of scale. Similarly, an increase in the number of exported products leads to economic growth in Africa. However, an increase in number of trade partners has no effect on economic growth of African economies. Therefore, based on these findings, policy makers in African countries have a higher chance of realising growth in their countries if they focus more on increasing the number of exported products. Further, it makes economic sense for trade partners in Africa to put structures in place that promote the growth of intra-industry trade between them. A shift in trade policy making in Africa where trade structure, considering its growing importance, gets as much consideration as trade openness and trade volume may also enable African countries to realise faster economic growth.

We also conclude that economic growth of African countries is achieved when there is growth in domestic investment. This means that African economies can perform better if more funds are channelled towards investment. The positive relationship between economic growth and population growth suggest that as most African economies use labour intensive production techniques, growth in population can actually help to grow economies. However, care must be taken to ensure that the growth in population is sustainable given resources available in a country and it is necessary to ensure a skilled labour force. We conclude that inflation growth can retard the growth of African economies, thus it is in the best interest of the economies to keep inflation rate as low as possible.

**Limitations and direction for future research**

The limitations faced were that there was limited availability of data for some African countries hence we could not cover as many countries as desired in this paper. In future, research could focus on comparisons of trade structure and growth between different regions in Africa.

**References**


Tax evasion detection in Nigeria: Analysis of the specific forensic accounting techniques used

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Keywords
Forensic Accounting, Forensic Accounting Tools, Tax Engagement Services, Tax Evasion, Tax Experts.

Abstract
The study investigated the specific forensic accounting techniques used in the detection of tax evasion in Nigeria. The study used a self-administered, semi-structured questionnaire, prompting experts' opinion on the type or the combination of the tools of forensic accounting applied in carrying out tax evasion assignments. Krejcie & Morgan (1970) formula was adopted to determine the sample size of 301 from the population of 1,387, comprising forensic accounting practitioners and tax officials of Lagos State, Nigeria. Descriptive statistics like mean, standard deviation and percentages were applied for data analysis. The study reveals that all the identified 13 forensic accounting techniques were put into use but with diverse opinion. The study also finds out that Benford’s Law, Identifying Anomalies’ Document Review, Revenue Approach, Business Intelligence, Revenue Approach, Trend Analysis, Net Worth Comparative Method, Data Mining Tools, and Expenditure Approach, among others, were rated as being frequently used. The findings show that there is no agreement as to the specific tools to be adopted for tax evasion detection and no record of it included in the reports to government. The study however, established the use of different types of techniques among the practitioners. Thus, the study recommends that the practitioners should include in the report of their tax evasion engagement to the government, the forensic accounting techniques, or the combination thereof, used along with the respective results.

Introduction
In the recent times, forensic accounting techniques have been helpful and served as a handy tool and an instrument adopted to tackle corruption, fraudulent practices, bribery and kickbacks, money laundering, and tax evasion, among others. Consequently, forensic accounting at different fora, has also been a subject for professional discourse and scholarly studies. In the developed countries, there are evidences and records of the use of forensic accounting to uncover hidden assets of corrupt people and to detect and prevent fraud related cases. Though, empirical studies are mixed findings, but the general conclusion suggests there is a nexus between fraud detection and reduction and forensic accounting (Mayungbe, 2012; Muehlmann, Burnaby & Howe, 2012; Al-Shairi, 2018; Huber & DiGabriele, 2014). Likewise, in the emerging economies, there were instances in which forensic accounting was utilised to minimize financial improprieties and the findings were in line with that of developed economies (Akinadewo & Akinkoye, 2019; Mayungbe, 2012; Eiya & Otalor, 2013; Ehioghiren & Atu, 2016). There is no doubt, forensic accounting appears to be a veritable tool in the hand of governments, professional bodies, private sector, academia, and other stakeholders in the fight against financial and economic crimes.

In Nigeria, forensic accounting has been deployed to reduce the incidences of financial and economic crimes including tax evasion (Enofe, Okpako & Atube, 2013; Oyedokun, Enyi & Dada, 2018; Bassey, 2018; Akinadewo, Akinkoye, Oyedokun & Asaolu, 2019). For instance, Lagos State which has been in the lead among the states in Nigeria in the engagement of forensic accountants for tax evasion has recorded appreciable achievements through increased tax revenue and additional eligible taxpayers brought into the tax net. The state government through the forensic accountants’ efforts, detected tax evaded as much as N13.36 billion, N11.48 billion, N11.13 billion, N11.10 billion and N15.42 billion in 2014, 2015, 2016, 2017 and 2018 respectively. The effort also brought 330,000, 86,632, 370, 743,261, and 234,142

The positive effects of the use of forensic accounting has also spurred other states to imbibe in the use for their tax administration. The use of forensic accounting techniques is not limited to the developing or emerging economy alone as many studies have demonstrated the significant role that can be played by forensic accounting in stemming corruption and enhancing efficiency in government circle. There are so many forensic techniques at the disposal of forensic accountants in the literature, but it has been argued that the application of these techniques can vary across economic environment of nations depending on the specific nature and the economic fundamentals. Forensic engagement has been found positively yielding and helpful in Nigeria. There are documented achievements particularly in addressing the menace of tax evasion and the level of efficiency recorded has brought to the fore the need to investigate the specific techniques adopted by the forensic accountants in Nigeria.

Literature Review
Overview of Forensic Accounting Techniques

During forensic accounting engagements, the experts deploy the relevant tools for effective detection, prevention, deterrence, and reporting. The rapid advancement in e-commerce and internet have extended fraud opportunities and challenging the fraud fighters, especially forensic accountants to deplore new ideas and effective techniques to detect and prevent financial and economic crimes (Qureshi & Tazilah, 2015). Researchers have reported that the tools of forensic accounting include Business Intelligence, Revenue Approach, Trend Analysis, Net Worth Comparative Method, Data Mining Tools, and Expenditure Approach Digital Investigation Manager (DIM), Encase, Computer Aided Audit Tools (CAAT), Forensic Toolkit (FTK), Benford’s Law, Data Mining Tools, Ratio Analysis and Data Matching, Computer Assisted Review and Document Review, among others (Qureshi & Tazilah, 2015; Wells, 2012; Wadhwa & Pal, 2012; Yadav & Yadav, 2013; Sharma & Panigrahi, 2012; Biber, 2010; Nigrini, 2011; ACFE, 2018; Oyedokun, 2016; Stankevicius & Leonas, 2015; Mwanza, 2017; Okoro, Oshoiribhor & John-Otumu, 2016; Porter & Crumbley, 2012; Element & Gee, 2011).

Enyi (2019) however, posited that there is no major difference between the techniques and the already known manual investigative skills of human fraud investigations. The scholar argued that the modern scientific methods merely enhances sharply and broaden the manual investigative skills of human fraud investigators, divided into Managerial Accounting – Trend Analysis, Variance Analysis; and Statistical Inferences – Bendford’s Law application and Regression Analysis. Asaolu (2019) also postulated on Ratio Analysis and Digital Analysis like Bendford’s Law, Parallel Simulation among others, for the detection of Financial Statement Fraud. However, Association of Certified Fraud Examiners in their 2018 manual made mention that there is also an Indirect Methods of Tracing Financial Transactions. This it said, could reveal that somebody being investigated is living beyond his observed income. This could be through Net Worth Approach, Asset Method by Comparative Net Worth and Expenditures Method (Sources and Application of Funds). Therefore, these techniques need to be evaluated within the context of Lagos State, Nigeria, in identifying those that are mostly used for tax evasion detection assignments.

While the forensic accounting experts have been trained in the skills and knowledge of detecting fraud, the success will mostly be visible with the use of the appropriate fraud detection tools. Thus, the importance of the forensic accounting techniques in the fight against fraudulent practices cannot be underestimated. The increase in e-transactions and its multifaceted nature in relation to the contemporary cloud computing and artificial intelligence have also increased the need for the use of appropriate tools to unearth fraud related activities including tax evasion. In Nigeria, professional bodies like the Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN) have created faculties for the certification of auditors in the knowledge of forensic accounting. Professionals and academics in accounting, law and the related have also come together in forming the Association of Forensic Accounting Researchers (AFAR). Thus, steps have been taken in the creation of awareness of forensic accounting and its efficacy in financial and economic crimes, but the relevant governments have not institutionalized this. In addition, there is no uniformity as to the specific forensic accounting tools applied by the experts in the discharge of their engagement services.

The need for the engagement of forensic accounting experts become highly necessary both in the
private and the public sectors. In the recent past, the management of quoted companies in Nigeria, like the Cadbury Nig Plc, Oceanic Bank Plc (now defunct), Afribank Nig. Plc (now defunct), have involved in fraud against their organizations, which was made possible due to the access to their institutions’ data (Enofe, Okpakoko & Atube, 2013).

**Benford’s Law Technique**

Wells (2012) argued that Benford’s Law is one of the techniques available for fraud investigators and it assist greatly to achieve success in the field of forensic accounting. Benford’s Law describes the sequence in which multiple numbers from real-life sources can be distributed in a specific, non-uniform way (Wells, 2012). It has been established that this technique is applied in the summarization after the classification of the first digit field and the calculation of the observed count percentage (Wadhwa & Pal, 2012; Wells, 2012). This technique, which was named after Frank Benford (1883-1948) is useful to determine if the variables under study was a result of fraud or unintentional error (Yadav & Yadav, 2013). Consequently, the concept of Benford’s Law, also known as first-digit phenomenon, has been known to mathematicians since 1881 and it is counter-intuitive, difficult to explain in simple terms and has suffered from being described variously as a numerical aberration, an oddity, a mystery, but also as a mathematical gem (Kruger & Yadavailli, 2017). Despite that, Brenford’s Law is germane as a statistical tool that can be applied practically on figures, most especially on fraud detection under forensic audit (Kruger & Yadavailli, 2017).

**Data Mining Tools**

Data mining is about gaining insights and identification of interesting patterns from the data stored in big databases in such a way that these patterns and insights despite of the fact that they are previously unknown, are statistically reliable and actionable (Sharma & Panigrahi, 2012). The scholars further asserted that it is a mechanism that applies statistical, mathematical, artificial intelligence and machine learning techniques for the extraction and identification of useful information and subsequent gaining of knowledge from a large database.

**Ratio Analysis and Data Matching**

Scholars posited that this technique calculates data analysis ratios for key numeric fields (Wadhwa & Pal, 2012; Yadav & Yadav, 2013). Ratio analysis gives indications of the financial soundness of corporate organizations and these ratios provide the information on the level of the fraud through the identification of the possibility of its symptoms (Wadhwa & Pal, 2012; Yadav & Yadav, 2013).

**Relative Size Factor (RSF)**

This technique is the ratio of the largest numbers to the second largest number of a given set and when applied to figures, the unusual variations may be routed from fraud or genuine errors (Wadhwa & Pal, 2012; Yadav & Yadav, 2013). The scholars further asserted that if any stray instance is observed beyond the normal range, further investigation may be required which will assist the detection of anomalies or routines.

**Computer Assisted Auditing Tools (CAATs)**

These are computer programs that forensic accountants could make use of, in the audit procedure to process data of audit significance in client’s information system and at the same time not depending on that client (Wadhwa & Pal, 2012; Yadav & Yadav, 2013). This technique assists experts in investigative and forensic accounting assignments to perform auditing procedures such as (a) Testing of transactions and balances in details, (b) the identification of any inconsistencies or significant fluctuations, (c) general testing in addition to computer systems application, (d) sampling program in extracting data for audit testing, and (e) the recording of the calculations performed by accounting systems (Wadhwa & Pal, 2012; Yadav & Yadav, 2013).

**Net Worth Approach (NWA)**

Biber (2010) argued that there are two methods of determining and verifying taxpayers’ income which are the Direct Method and the Indirect Method. The direct method is the specific item relied upon in verifying income and expenses by referring to the books and records used in the preparation of the
relevant tax computations while the indirect method involves the determination of tax liabilities through an analysis of a taxpayer’s financial affairs accumulating information beyond the taxpayer’s declaration and formal books and records (Biber, 2010). This indirect method is inclusive of Bank Deposits into the taxpayer’s accounts, Cash Expenditure and Net Worth Approach (NWA), among others. Thus, forensic accountants will compare the total assets of the taxpayer or that of tax evader, after deducting the liabilities and used as the criteria for identifying undisclosed income. This approach when used will afford the tax authorities to reduce the incidences of tax evasion.

**Net Worth Comparative Method**

This approach is like NWA, but in its own application, the current net worth of the taxpayer will be compared with the value of the cumulative years in identifying the difference and treat as income not disclosed for the current year.

**Expenditure Approach**

This involves the use of the expenditure of the taxpayer to determine the undisclosed income. This approach assumes that every expenditure must have its respective source and if this has not been included in the income disclosed by the taxpayer, then the forensic accountants and the tax authorities will treat as undisclosed income and will be adequately taxed. Biber (2010) asserted that the purchasing of capital items by cash, personal and business loan repayments through cash, personal expenses paid with cash, in addition to increases in cash on hand should be determined through an in-depth examination of taxpayer’s financial affairs.

**Tax Evasion and the Engagement of Tax Experts**

Tax evasion is the non-compliance fully by taxpayers, on the appropriate tax laws as to the performance of the civic responsibilities on tax payments. This could be in non-rendition of the full tax; under reportage of the tax liabilities; manipulation of financial statements which include overstatement and understatement of expenses and income respectively; and falsification of records to gain undue tax benefits. Tax evasion varies across countries and that it follows a geographical pattern: Southern European nations like Italy, Spain and Greece have higher rates of it than Northern European nations (Guerra & Harrington, 2017). It has been established that with the mind of taxpayers to undercut the tax system, governments will not rely on the judgement of taxpayers in the remittances of tax owed (Slemrod, 2007). In Nigeria, fraudulent practices among Nigerians are some of the hindrances facing the development of the country, which has necessitated the government to set up many anti-corruption agencies in the reduction of cases of fraud and other financial and economic crimes (Ehioghiren & Atu, 2016). Consequently, and irrespective of its value, tax evasion drastically reduces the number of annual budgets globally, and it is a universal phenomenon that has been in practice, both in the developed and developing nations (McGee & Gelman, 2009).

Tax evasion is detrimental to economic growth, affecting the developed and the developing economies. For instance, the UK lost about 82.1 billion pounds in 2013/2014 to tax evaders, with efforts made to investigate and tackle tax cheats, resulting to about 3.3 billion pounds protected from the hands of tax evaders (Murphy, Tax Research U.K, 2014; HM Revenue & Customs, Annual Reports, 2017/2018). The alarming rate of tax evasion was noted by the Organisation for Economic Co-operation and Development. OECD (2017), posited that in as much as many taxpayers comply with their tax obligations, there are several non-compliant ones, which has made tax evasion to substantially be occurring, costing billions annually.

In other African countries, tax evasion has been reported in Tanzania, Ghana, South Africa, and Egypt, among others. In Tanzania, tax evasion has been a major issue prior to the establishment of revenue board (Nyang’au, 2016). Egypt, however, lost $22.3 billion to tax evaders inn year 2016/2017 (Zaher, 2018). In South Africa, 411 people were investigated on tax evasion with 88 evaders prosecuted (SARS, 2018).

The dwindling revenue in Internally Generated Revenue (IGR) in Lagos State, Nigeria, was the reason behind the engagement of tax consultants, and this brought additional revenue to the government in addition to more eligible taxpayers into the tax net. The efforts of the forensic accountants in tax consultancy, positively influenced the IGR of the state with the record of additional revenue but with
upward/downward movement of N20.3bn in 2009 to N15.4b in 2018. The number of identified taxpayers also increased from 4,174,927 in 2013 to 5,659,332 in 2018, showing an addition of 1,484,405. It has also been argued that it is technically difficult to study tax evasion due to the non-availability of a single source of information capturing all of it (Alstadsaeter, Johannesen & Zucman, 2018). Thus, this has called for the governments to seek more of the services of the forensic accountants in tax consultancy.

**Methodology**

The study adopted survey method through the administration of structured questionnaire on respondents. The sample size was 301, determined through the application of Krejcie & Morgan (1970) formula from 1,387 population comprising forensic accountants and tax officials of Lagos State Internal Revenue Service (LIRS).

**Data Presentation, Analysis and Discussion of Findings**

Descriptive Statistics on Specific Forensic Accounting Techniques Used in Detecting Tax Evasion in Lagos State

Table 1 shows the responses of the experts on the specific forensic accounting techniques used for the detection of tax evasion in Lagos State. The question was asked on 5-Likert scale showing Strongly Agreed (SA), Agreed (A), Undecided (U), Disagreed (D), and Strongly Disagreed (SD). Among the 301 respondents, none disagreed strongly; 5 respondents (1.7%) believed that there were no forensic accounting techniques; 49 respondents (16.3%) were undecided; 113 respondents (37.5%) agreed that there were forensic accounting techniques for the detection of tax evasion; and 134 respondents (44.5%) strongly agreed with the question. Thus, 247 respondents (82%) of the total respondents of 301, agreed to the fact that there are forensic accounting techniques for tax evasion detection.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>5</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>U</td>
<td>49</td>
<td>16.3</td>
<td>16.3</td>
</tr>
<tr>
<td>A</td>
<td>113</td>
<td>37.5</td>
<td>55.5</td>
</tr>
<tr>
<td>SA</td>
<td>134</td>
<td>44.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Authors’ Field Work (2020)

Table 2 shows that the mean on the specific forensic accounting techniques used in the detection of tax evasion in Lagos State, Nigeria was 4.2492 from the minimum mark of 2.00 and maximum mark of 5.00. Thus, this explains the average of the data and with a standard deviation of 0.78382 showing the deviation from the mean.

<table>
<thead>
<tr>
<th>Specific Forensic Accounting Techniques used for Tax Evasion Detection in Lagos State</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid N (listwise)</td>
<td>301</td>
<td>2.00</td>
<td>5.00</td>
<td>4.2492</td>
<td>.78382</td>
</tr>
</tbody>
</table>

Source: Authors’ Field Work (2020)

This study identified from the literature, thirteen techniques that forensic accountants and many investigative auditors use for the effective performance of their engagement services. These are Benford’s Law; Data Mining Tools, Ratio Analysis and Data Matching, Identifying Anomalies’ Techniques, Computer Assisted Review and document Review, Revenue Approaches, Business Intelligence, Relative Size Factors, Trend Analysis, Variance Analysis, Net Worth Method, Net Worth Comparative Method,
and Expenditure Approach. The experts' responded as to the techniques that they have made use of, in the detection of tax evasion in Lagos State, Nigeria.

In table 3, 166 respondents (55.1%) recorded that they have applied Benford’s Law technique in tax evasion detection, and 135 respondents (44.9%) said that they have never used the technique. The table 3 also shows that 117 respondents (38.9%) recorded that they have used Data Mining Tools in the detection of tax evasion and 184 respondents (61.1%) opinionated that they have never used it. The results also showed that 121 respondents (40.2%) were of the opinion that they have used Ratio Analysis and Data Matching in the detection of tax evasion and 180 respondents (59.8%) opinionated that they have never used it. The table also shows that 148 respondents (49.2%) recorded that they have used Identifying Anomalies’ Techniques in the detection of tax evasion and 153 respondents (50.8%) opinionated that they have never used it. The results also show that 151 respondents (50.2%) recorded that they have used Computer Assisted Review and Document Review in the detection of tax evasion and 150 respondents (49.8%) reported that they have never used it. The results revealed also that 117 respondents (38.9%) opinionated that they have used Revenue Approaches in the detection of tax evasion and 184 respondents (61.1%) reported that they have never used it. The result also shows that 132 respondents (43.9%) opinionated that they have used Business Intelligence in the detection of tax evasion and 169 respondents, representing 56.1% reported that they have never used it.

The results further show that 132 respondents (43.9%) recorded that they have used Relative Size Factors in the detection of tax evasion and 169 respondents (56.1%) opinionated that they have never used it. Table 3 also shows that 138 respondents (45.8%) recorded that they have used Trend Analysis in the detection of tax evasion and 163 respondents (54.2%) reported that they have never used it. The table also shows that 112 respondents (37.2%) recorded that they have used Variance Analysis in the detection of tax evasion and 189 respondents (62.8%) reported that they have never used it. The results further show that 80 respondents (26.6%) recorded that they have used Net Worth Method in the detection of tax evasion and 221 respondents (73.4%) reported that they have never used it. The results also show that 95 respondents (31.6%) opinionated that they have used Net Worth Comparative Method in the detection of tax evasion and 206 respondents (68.4%) reported that they have never used it. The table further shows that 107 respondents (35.5%) recorded that they have used Expenditure Approach in the detection of tax evasion and 194 respondents (64.5%) reported that they have never used it.

Table 3 also show the descriptive statistics’ results of the mean and the standard deviation of the respondents’ view on the various forensic accounting techniques used in the detection of tax evasion. The mean score on the use of Benford’s Law was 0.4485 on a minimum mark of 0.00 and maximum mark of 1.00, and the mean scores for the other tools. The various results show that no specific technique was common among the experts but all of them were put into various use for tax evasion detection at different level of usage.
<table>
<thead>
<tr>
<th>Method</th>
<th>Freq Used</th>
<th>% Used</th>
<th>Freq Never Used</th>
<th>% Never Used</th>
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Source: Authors’ Field Work (2020)

**Policy Implications and Recommendations**

Tax evasion has been established as a way of cheating on tax returns and having an economic,
psychological, and social effects on the society (Folayan & Adeniyi, 2018). Thus, tax audit is imperative in assisting the government to collect the appropriate tax revenue necessary for budget implementation (Harelimana, 2018). This exercise and the engagement of forensic accountants in Lagos State, Nigeria has not only reduced the rate of tax evasion but brought additional taxpayers into the tax net. However, the specific techniques used by these experts have not been well documented, hence, the need for the empirical investigation. Consequently, this study examined the identified forensic accounting tools used for the detection of tax evasion. The study finds out that there are techniques in use in tax evasion detection. The study also established that all the techniques were applied for tax evasion detection but at mixed and different levels. The study also reveals that the forensic accounting techniques were utilized in tax evasion detection and reduction. Consequently, the study shows that the techniques of forensic accounting, when applied, will reduce the rate of tax evasion, and improve the tax revenue of governments for economic development and growth.

Based on these findings, it is recommended that government should continue with the use of forensic accountants for tax evasion matters. The study also suggests that the engagement letter should indicate the need for the experts to disclose the respective tools used for the assignments. The study further recommends that government should develop a tax evasion discovery technique and make it a national policy.

References


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Factors influencing profitability of conventional banks as measured by Tobin’s q: evidence from banking sector of Pakistan

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Keywords  
Bank specific factors, macro-economic determinants, banking sector, Tobin’s Q ratio, Profitability.

Abstract  
Financial sector is the key player to enhance sustainable economic growth. Commercial banks play an important role to improve the performance of the financial sector of the economy and their profitability is intricately connected to the soundness of the entire economy. The purpose of this study is to determine the internal determinants (bank specific) and external determinants (macro-economic) of profitability. In this regard, the study adopted quantitative research design by using the panel data of 17 commercial banks of Pakistan over the period of 2014-2018. Internal factors analyzed in this study were Liquidity, Size and Capital Adequacy. While external factors were Gross Domestic Product (GDP) and Inflation. The data was analyzed by using simple OLS regression and Tobin’s Q ratio. The analysis showed that GDP has significant impact on profitability. However, inflation has no impact on the profitability. Tobin’s Q ratio of most of the banks are increasing which depicted their equilibrium position. Based on the findings, the study recommended some policies that will encourage banks to reduce credit risk and minimize their liquidity holdings. Moreover, Government should take the proper initiatives to enhance the confidence of investors towards stock market.

Introduction  
Banks contribute significantly to the growth and development of the economy. Banks provide assistance in the financial development of the country as well as provide various opportunities to people to make investment and saving plans through verified and guaranteed methods of investments (Sufian & Habibullah, 2009). Profitability of banking sector contribute not only in economic growth, but also helps to bear the external and negative financial shocks (Athanasoglou, Brissimis, & Delis, 2008). Rose (1999) described Profitability as the after-tax net income usually measured by return on assets and return on equity. Profitability is the capability of the company to produce earnings. There are many macro-economic factors that affect profitability including real interest rate, inflation rate, real gross domestic product, and imports and exports of a country. Therefore, it seems very crucial to investigate the determinants of the profitability. The major concern is profitability and there are numerous external and internal factors that have some effects on the profitability of the banks. Internal factors they mostly consist of liquidity, capitalization, bank size, and operating efficiency. Conversely, external factors include Inflation and GDP.

Banks perform the duties of intermediary between the investors and end users and facilitate them in different business activities. Banking sector represented as the hub of financial sector with 88% share in last 10 years in Pakistan. Currently, there are 24 scheduled and cooperative banks (commercial banks) in Pakistan. Out of which, 17 conventional banks are listed in Pakistan Stock Exchange. Banking sector of Pakistan remained under the implementation of constant reforms and structural changes. Since 1947, several commercial banks have been merged to implement the structural reforms. Commercial banks showed remarkable growth in 1970. The maximum share of total assets around 90% of banks were hold
by financially unproductive public banks in the period of 1980 to 1990. As a result, the profits decreased and ultimately, banking sector reforms were indulged in addressing these issues like lending rates and privatization etc. (Anwar, 2011). After the registration of banks in stock exchange and with the beginning of Islamic banking in 2002, the banks started to perform effectively and earned huge profits even in global financial crisis of 2008-2009. Commercial banks played very considerable role in the growth and development of economy. But, they are also badly affected due to the bad macroeconomic conditions in past decade (Ahmad, Nafees, & Khan, 2012). Pakistani banks faced the challenges of financial instability due to the adjustments in the economic indicators.

Pakistan is dominated by commercial banks. Hence, it is necessary to analyze the association of their profitability with the development of Pakistan. Financial reports presented the financial results and related information to different stakeholders including investors, customers, and regulators. Financial reports also explain how company performed over a specific time and helpful to make investment decisions. The relevant information is provided by such financial reporting activity for making important business decisions (Dubelaar, Sohal, & Savic, 2005). Therefore, this study is conducted to identify the most important external and internal factors on the profitability of conventional banks and also analyze the current market situation of banks for investors that would be able to add the strategies to enhance the development of the banks.

1.1 Research Questions

1.1.1 Does macroeconomic factor GDP affect the bank’s performance significantly?
1.1.2 Does macroeconomic factor Inflation affect the bank’s performance significantly?
1.1.3 Does macroeconomic factor Liquidity affect the bank’s performance significantly?
1.1.4 Does macroeconomic factor Size affect the bank’s performance significantly?
1.1.5 Does macroeconomic factor Capital Adequacy affect the bank’s performance significantly?

Research Objectives

1.2.1 To determine the impact of GDP on Return on Assets.
1.2.2 To determine the impact of Inflation on Return on Assets
1.2.3 To determine the impact of Liquidity on Return on Assets.
1.2.4 To determine the impact of Size on Return on Assets.
1.2.5 To determine the impact of Capital Adequacy on Return on Assets.
1.3 Scope of the study

The banking sector is a speedily growing industry of Pakistan. Abidi and Lodhi (2015) stated that commercial banks play an important role in the economic development of Pakistan. There is much competition in occupying a superior position in financial system that every bank is trying to improve the overall performance along with profitability (Rashid & Jabeen, 2016). There is a significant contribution of several industry-specific, bank-specific financial and macroeconomic factors in banking structure and performance. Therefore, this study aims to determine the impact of bank specific factors and macroeconomic factors on Return on Assets. 24 commercial banks are working in Pakistan. we have selected 17 listed conventional banks over the period of 2013-2017.

Literature Review

2.1 Theoretical Background

The profitability of a bank may be affected due to different variables. A portion of these variables can positively influence the profitability of banks, while others have negative affect. Some of these factors that influence the productivity of a bank may be under the control of the banks administration and the others may be out of control. Mostly internal factors are under the control of bank’s administration. These are also called bank specific factors and they can be treated as positive or negative based on their specific effect on the profitability of the bank. These variables may identify as credit risk, capital structure, loan portfolio management, liquidity management, expense management and diversification of the products/services of the bank. The external variables which are out of control by the management may incorporate components identified with the dimension of rivalry in the business to which the bank has a place (concentration), boundaries identified with passage to and exit from the business, the pace of economic development, the nature of the guidelines and supervision of the banks, inflation, money related...
extending, and fiscal policies and monetary policies (Rao & Lakew, 2012).

### 2.2 Variables

This study designs the equation to measure the determinants of the profitability. To measure the influential determinants of conventional banks, the hypothesis of the research is as under:

**2.2.1 Relationship of GDP and bank’s Performance**

GDP is one of the essential macroeconomic indicators which is used to measure the strength of the economy of a nation, and it is a proportion of the general financial yield inside a nation’s fringes over a specific time, more often a year. Economic development and financial segment performance are significantly positively connected (Levine, Loayza, & Beck, 2000). The real GDP development is relied upon to positively affect the bank’s productivity. Fani, Khan, Kumar, and Kumar (2018) analyzed the effect of external and internal factors on the performance of banks and found that liquidity, capital adequacy, asset quality, and inflation have insignificant positive correlation with banks’ performance. However, GDP, management efficiency, earning quality and stock market performance have significant positive correlation with bank’s performance. Furthermore, Kamran, Johnson and Sammer (2016) have analysed the determinants of the bank’s profitability in Pakistan and found that the GDP, Size and leverage ratio have significant effect on bank’s profitability. Moreover, GDP was found to have significant positive affect on ROA and ROE (Bilal, Saeed, Gull, & Akram, 2013). Another study conducted in Turkey by Anbar & Alper (2011) by using the panel data analysis over the period 2002 to 2010, and found that Asset size, Non-interest income/assets and Real interest rate have Positive impact on ROA. However, Inflation, Capital ratio, Deposits/assets, Net interest margin and GDP have no significant effect on the profitability. Therefore, we propose that

H1= GDP has impact on ROA of Conventional Banks

**2.2.2 Relationship of Inflation and bank’s performance**

Zopounidis and Kosmidou (2008) stated that there is a relationship between inflation and performance of the banks. To investigate the association between the macroeconomic factors, financial performance and firm characteristics of manufacturing companies in Nigeria, a study was conducted by Egbonike and Okerekeoti (2018) by using multiple linear regressions to validate the hypothesis and found no significant effect for exchange rate and interest rate, but found significant effect for inflation rate and GDP growth rate on ROA. Furthermore, the firm characteristics showed that firm size, liquidity and leverage were significant. Ali (2015) found that ROA and ROE were significantly affected by Asset Management, Assets Size, Liquidity, Asset Quality, Deposit, Operating Efficiency, Gearing Ratio, and Financial Risk (internal determinants) while (external determinants) Inflation and GDP are insignificantly affected the bank’s profitability. Therefore, we propose that

H2= Inflation has impact on ROA of Conventional Banks

**2.2.3 Relationship of Liquidity and bank’s performance**

The liquidity of bank is calculated by the proportion of liquid assets. This proportion demonstrates the ability of bank to meet the payments as and when its investors and different providers of funds require. The lower proportion will put the bank in trouble in gathering payments in ideal time and subsequently its liquidity low. The lower proportion would imply that the bank will not easily get reserves or else it should bring about an incredibly high premium rate which will rise the expense of subsidizing and negatively affect the profitability. A very higher proportion will show the abundance of inactive liquid assets. Therefore, higher proportion level forecast the sign of troublesome, and consequently proper investigation takes place (Rao & Lakew, 2012). Curak, Poposki and Pepur (2012) analyzes the industry-specific, bank-specific, and macroeconomic determinants of profitability with a sample of 16 banks in the Macedonian banking system over the period 2005-2010. They found that liquidity risk, operating expense, and solvency risk have significant negative affect on ROA. Vieira (2010) found the insignificant positive association between profitability and liquidity in the short run. Petria, Caprararu and Ihnatov (2015) investigated the main determinants of bank’s profitability in EU27 over the
period 2004-2011. They selected panel level fixed effects to conclude the result and found that management efficiency, credit, liquidity risk, the diversification of business and the economic growth have effect on bank’s profitability, both on ROAE and ROAA. They also found positive affect of competition on bank’s profitability. Albulescu and Ionescu (2018) conducted a study in which they have focused on the internal determinants of the banks’ profitability in South and Central American countries and performed panel data analysis. They found that the liquidity, bank capitalization and interest rate margins have positive impact on the profitability of the banks, while the non-interest expense and nonperforming loans have a negative impact on profitability.

Hence, we propose that

H3= Liquidity has impact on ROA of Conventional Banks

2.2.4 Relationship of Size and bank’s performance

Boyd and Runkle (1993) indicated that the size of a bank is frequently connected with the idea of economies of scale. It is clarified in “Economic Theory” that if an industry is exposed to economies of scale, the firm could be increasingly proficient to deliver at low cost. It is normal that bank size or economies of scale is identified positively with the profitability. To contrast large banks and little banks, large banks are expected to appreciate economies of scale, they can deliver huge number of items economically and productively. In this manner, huge banks are ready to produce higher rate of return as compare to little banks. Furthermore, Antoun, Coskun, and Georgiezski (2018) conducted a study to investigate the industry-specific, bank-specific, and macroeconomic determinants of the financial performance of banks in Eastern and Central European Countries over the period 2009-2014. They used fixed-effect panel regression method and found that the earnings of banks and asset quality are affected negatively by the size, and affected positively by the inflation and business mix. Akhtar, Ali and Sadaqat (2011) examined the profitability of commercial banks over the period 2006-2009 in Pakistan and found that NPLs ratio, gearing ratio and asset management have significant effect on the profitability of commercial banks.

So, we propose that

H4= Size has impact on ROA of Conventional Banks

2.2.5 Relationship of Capital Adequacy and bank’s performance

Capital adequacy ratio is an essential proportion to decide the strength of the capital. It is determined as the ratio of equity to total assets of the Company (Abel & Le Roux, 2016)&(Anbar & Alper, 2011). A positive association was found between the capital adequacy and profitability of the commercial banks (Ebenzeer, Omar, & Kamil, 2017). Alshatti (2016) examined the basic determinants that influenced the profitability of the commercial banks over the period 2005-2014, by applying a balanced panel data set of 13 banks in Jordan. He found that the determinants of Capital adequacy, Leverage and Capitalization positively affect the productivity of banks as estimated by ROA. Furthermore, there is a positive outcome of Capitalization and Leverage when estimated by ROE. In the same way, Antoun et al. (2018) stated that liquidity and capital adequacy are negatively affected by size and positively affected by economic growth and bank concentration. The result analyzed that independent variables i.e. Funding Costing, Non-performing loans, Liquidity, and Administrative expenses negatively affected the ROA, while positively affected by Non-fund based services, GDP and Capital Adequacy (Nisar, Susheng, Jaleel, & Ke, 2015). Mohiuddin (2017) conducted a study in Bangladesh over the period of 2009-2012 and found that spread ratio, non-interest income and profit per employee have positive relationship, but operating expenses ratio and capital adequacy have considerable negative association with ROA.

So, we propose that

H5= Capital Adequacy has impact on ROA of Conventional Bank

Research Methodology and Conceptual Framework

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3.1 Conceptual Framework

![Diagram of Conceptual Framework]

3.2 Research Methodology

3.2.1 Research design

The research design of this study is quantitative based on post positivist paradigm. Independent variables of the study are inflation, GDP, Capital Adequacy, liquidity, and firm size, whereas dependent variables are bank’s performance which is represented as ROA i.e. Return on Assets.

3.2.2 Data Source

The information of monetary factors (dependent and independent factors) are gathered from auxiliary sources which incorporate State Bank of Pakistan Reports, distributed Final Reports or fiscal summaries of banks on their websites, Pakistan Statistics Bureau reports and Economic Survey of Pakistan reports.

3.2.3 Target Population

Currently, there are 22 commercial banks. Out of which, we have taken seventeen listed conventional banks into the sample for this study. They are:
- Askari Commercial Bank Limited (AKBL)
- National Bank of Pakistan (NBP)
- MCB Bank Ltd (MCB)
- Habib Bank Ltd (HBL)
- Habib Metro Bank Ltd (HMB)
- Summit Bank (SMBL)
- JS Bank Limited (JSBL)
- Bank of Khyber Limited (BOK)
- Faysal Bank Ltd (FABL)
- SAMBA Bank Limited. (SBL)
- Allied Bank Limited (ABL)
- Bank Alfalah Limited (BAFL)
United Bank Limited (UBL)  
Bank of Punjab Limited (BOP)  
Bank Al Habib Limited (BAHL)  
Soneri Bank Limited (SNBL)  
Standard Chartered Bank (SCBPL)

### 3.2.4 Sample Size
The sample size consists of the panel data of seventeen conventional banks, over the period of five years, (2013-17). There were 85 observations for testing to make our research accurate.

### 3.2.5 Sampling Technique
The judgmental sample technique was used for gathering the data to test the hypothesis and in analyzing the data of conventional banks.

### 3.2.6 Research Model
Bank’s Performance = $B_0 + B_1GDP + B_2INF + B_3LQ+B_4SZ+ B_5CAR + \sigma$

Where,
- GDP = Gross Domestic Product
- INF = Inflation
- LQ = Liquidity of conventional banks
- SZ = Size of conventional banks
- CAR= Capital Adequacy
- $\sigma$ = Error

### 3.2.7 Transformation of Variables
This study utilized the log variable change condition to satisfy the supposition of panel regression analysis. It is one of the significant solutions for dispose of heteroscedasticity issue in the data of panel analysis.

### Data Analysis and Discussion
In this study, we used Eviews9 for statistical analysis, as it is robust software for analyzing the economic data. Furthermore, we used Tobin’s Q to provide the investors more accurate and effective information for their decision-making process.

### 4.1 Data Analysis

#### 4.1.1 Regression Analysis

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<td>3.582385</td>
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</table>

R-squared: 0.455125  
Mean dependent var: 0.996588

Adjusted R-squared: 0.420639  
S.D. dependent var: 0.710199

S.E. of regression: 0.540573  
Akaike info criterion: 1.675599

S.E. of regression: 23.08532  
Schwarz criterion: 1.848022
Table 1 provides the OLS regression of the given model. In the given case, the value of probability (F-statistics) is > 0.05 which indicate that the overall model is right. The adjusted R² value showed that explanatory power is 42%. The t statistics and its probability show the significance of individual variable. According to the given analysis, the liquidity has insignificant impact on ROA (p>0.05). Capital adequacy ratio has significant positive affect on ROA (t=2.6, p<0.05). Inflation has insignificant impact on ROA (t=1.5, p>0.05). GDP is significantly but negatively associated with ROA (t=-3.22, p<0.05) and size has positively significant impact on ROA (t=3.5, p<0.05).

4.1.2 Hausman Test

Hausman test is used to find the best method between the random effect and fixed effect. The value of P is greater than 0.05. Hence, it is suggested that random effect model is more suitable than fixed effect model.

4.1.3 Stock Performance (Tobin’s Q)

In financial aspects, the greater value of Tobin’s Q from 1 show that firm is worthier than its stated cost of assets. It shows that the profits made by the firm will be greater than the cost of firm’s asset. Therefore, additional investment in the firm will be made sense. In another case, the lower value of Tobin’s Q from 1 means that market value is lower than its stated value of assets which ultimately means that it will be cost more when replacing the firm’s assets than the firm’s actual worth of assets. Hence, it is better for firm to sell its assets rather than to put assets in use. The ideal state will be when the firm will be in equilibrium state when Tobin’s Q ratio is equal to the one (Bond & Cummins, 2004).

Tobin’s Q is usually calculated as Market value / Total Assets value and the common practice is also to assume equivalence of the liabilities market and book value yielding. So,

\[ \text{Tobin’s Q} = \frac{\text{Equity market value + Liabilities Book value}}{\text{Equity book value + Liabilities Book value}} \]

Where, Equity market value= Market price per share* total number of shares
And Equity book value= Total Assets-Total liabilities

4.1.4 Discriminate Zone

Tobin’s Q>1 explains that the stock is overvalued. It shows that stock is expensive as compare to the cost of assets.

Tobin’s Q<1 explains that the stock is undervalued. It shows that market value is less than the cost of assets.

Tobin’s Q=1 denotes fairness of stock value. Hence, market value is reflected exclusively as the cost of assets.

4.2 Discussions

4.2.1 Relationship of Liquidity and bank’s performance

This study found an insignificant negative effect of liquidity on ROA. Results are consistent with various studies (Eichengreen & Gibson, 2001; Bourke, 1989 Molyneux & Thornton, 1992 &Goddard, Molyneux, & Wilson, 2004). Similarly, Idris et al. (2011) analyzed the determinants of the profitability of
nine Islamic banking institutions in Malaysia. The researchers found no association between the liquidity and the profitability of Malaysian banks. On the other hand, the result is found inconsistent with the findings of Haron (2004) that empirically validate a positive relationship between liquidity and profitability. According to Eichengreen and Gibson (2001), we might expect the greater profitability with the tied up of smaller amount of funds in liquid investments. Therefore, it is extremely easy to understand the inverse relationship association between the liquidity and profitability.

4.2.2 Relationship of Size and bank’s performance

This study found that bank size has significant positive impact on profitability. The research findings of (Wasiuzzaman & Tarmizi, 2010; Bashir, 2003) was found consistent with the significant positive affect on profitability of banks. However, the research conducted by (Pasiouras & Kosmidou, 2007; Hassan Al-Tamimi, 2006; Sairri, 2010; Athanasoglou, Brissimis, & Delis, 2008) provide inconsistent results.

4.2.3 Relationship of capital adequacy ratio and bank’s performance

This study found that capital adequacy ratio has positive and significant impact on profitability. Capital adequacy play a vital role in the financial institutions of developing countries, because it provides more strength and increase safety for depositors in bad macroeconomic circumstances (Sufian, 2009; Trujillo-Ponce, 2013; Anbar & Alper, 2011). If more assets are created with the capital, interest expense will be decrease and profitability will be increase (Molyneux & Thornton, 1992). The results are widely supported and consistent with previous studies that banks become more stable, profitable and are able to deal with financial stresses and losses (Sufian, 2009; Trujillo-Ponce, 2013; Athanasoglou Panayiotis, 2008; Anbar & Alper, 2011; Zhang & Daly, 2013).

4.2.4 Relationship of GDP and bank’s performance

The study found that GDP has significant negative impact on the profitability of conventional banks of Pakistan. Pakistan is suffering from various economic crisis. Therefore, much time is needed to decrease the shocks of the economy. Therefore, the results exhibit the negative impact of GDP on profitability. Also, we have seen that there is not much variation found in Gross Domestic Product (GDP) in the last ten years. Therefore, it is negatively associated to their profitability. The result is found consistent with the research conclusion of the study conducted by Sufian (2011).

4.2.5 Tobin’s Q results

According to the calculations of Tobin’s Q, it is found that the Tobin’s Q value of banks AKBL, NBP, HBL, HMB, SMBL, JSBL, BOK, ABL, UBL, BAHL, SNBL is increasing gradually and moving from under value to equilibrium and approximately nearer to one. The ratio of MCB bank is devalued in the years 2014-2017 but increased in the year 2018. Ratio of bank SCBPL is undervalued in trending years but increasing gradually. The ratios of banks FABL, BOP, BAFL decreasing gradually in years of analysis, but nearer to one. The ratio of bank SBL is drastically devaluing in year’s analysis. The stock is going from overvalue towards under value which shows bad situation for this bank. It is to be considered that the average value of Tobin’s Q of many banks is in equilibrium position. The investors must look towards certain stock market conditions and can sale the shares of banks whose prices are undervalued.

5. Conclusion & Recommendation

The purpose of this study is to analyze the impact of macroeconomic and financial indicators on determinants of profitability of conventional banks in Pakistan. This study is an endeavor to assist the investors by providing them information on the current stock market situation through which they can invest in the future or sells shares from the unwanted banks. The study shows the stock value of most conventional banks is moving from undervalue to overvalue. Hence, the Government should take the proper initiatives to enhance the confidence of investors towards the stock market. Researchers can expand this research by analyzing the impact of financial and economic indicators on profitability on Islamic banking. Furthermore, they can include more variables to analyze their effect on profitability of the banking sector. The researchers can also calculate the Tobin’s Q ratio by taking Islamic banks of Pakistan.

References


application of non-parametric approach. European Journal of Business and Management, 4(10), 36–47.

Appendices
Data of Conventional Banks of Pakistan (2014-2018)

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Calculation of Tobin’s Q ratio

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Health Related Not-For-Profit Organizations: Time to Rewrite

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Elene Evelyn
Rosemary Williams
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School of Business, Medgar Evers College
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Keywords
Financial Statements, Health Related, Not-for-Profit Organizations, Revenues, Salaries

Abstract
This paper examines Not-for-Profit organizations, specifically those representing diseases. An organization that is formed for profit conducts its affairs solely for the purpose of earning profits to benefit its stakeholders. In contrast, the organization that is formed as not-for-profit, does not earn profits for its stakeholders, but use the earnings or donated funds to pursue the organization’s objectives and to continue operation. Given this definition, one must not be confused about the profit-making motives of not-for-profit organizations. These businesses generate substantial earnings from their charitable causes, yet they do not pay income taxes. Are these not-for-profit organizations adequately using the contributed funds for the purpose and mission of the not-for-profit organizations? This paper attempts to answer the question by examining the use of funds by four health related not-for-profit organizations through analysis of their financial statements. The paper will assess their operating philosophy and will look at their relationship with the medical and pharmaceutical industries. This paper will identify if there is a need for changes to the not-for-profit laws. The monetary connection between these four not-for-profit organizations and the medical and pharmaceutical industries are problematic. Performance of the analyses highlights that salaries and benefits account for the largest expenditure within the not-for-profit organizations. Research is a significant expense for these four not-for-profit organizations, and it is imperative for it to be clearly shown or reflected on their financial statements and not be included or embedded in other expenses. Further investigations on the management and compensation levels of these organizations must be undertaken.

Introduction
Organizations are chartered primarily for profit or, in some cases, not-for-profit. In looking at the organizations within these two categories, it is important to understand that they are formed for specific purposes. An organization that is formed for profit conducts its affairs solely for the purpose of earning profits to benefit its stakeholders. In contrast, the organization that is formed as not-for-profit, does not earn profits for its stakeholders, but use the earnings or donated funds to pursue the organization’s objectives and to continue operation. However, given this definition, one must not be confused about the profit-making motives of not-for-profit organizations. Some not-for-profit organizations generate substantial earnings from their charitable causes, yet they do not pay income taxes. Are these not-for-profit organizations adequately using the contributed funds for their purposes and missions? This paper attempts to answer the question by examining the use of funds by four health related not-for-profit organizations through analysis of their financial statements. The paper will assess their operating philosophy and will look at their relationship with the medical and pharmaceutical industries. This paper will identify if there is a need for changes to the not-for-profit laws.

Not-For-Profit Organizations Tax Status
In order to avoid paying income tax and receiving a 501(c)(3) tax exempt status, many not-for-profit organizations file an application with the Internal Revenue Service establishing the purpose of the not-for-profit. The benefits of 501(c)(3) status are the exemption from paying federal income tax and the eligibility to receive tax-deductible charitable contributions. If approved the not-for-profit organizations do not pay income taxes, sales taxes, or property taxes; but payroll taxes are paid. Another aspect of not-for-profit
organizations is that they are public charities designated to serve a public purpose and they receive most of their support from the public.

**Four Major Health Related Not-for-Profit Organizations**

The purpose of the four not-for-profit organizations is healthcare related. They operate with the intent to bring awareness to, cure, and eliminate certain health related diseases. Cancer is one of the diseases that has greatly impacted the American society both directly and indirectly. In the year 2016, it was estimated that there were 15.5 million cancer cases. In the year 2018, there was a total of 1.7 million new cancer cases, a rate of 439.2 new cases in every 100,000 of the population. The cancer death rate is 163.5 deaths out of every 100,000 of the population. It is also estimated that by the year 2026, there will be 20.3 million cancer cases. Approximately 38.4% of men and women would be diagnosed with cancer at some time in their lives. In addition, the national expenditure for the year 2017 was $147.3 billion.

**Use of Funds and Operating Philosophy**

**American Cancer Society, Inc.**

The American Cancer Society is an organization at the forefront of the fight against cancer. This 106-year old organization is on the quest to free the world of cancer. Its mission is to eliminate cancer and until it happens, the organization pledges to fund and conduct research, share expert information, support patients, and spread the word about prevention. An analysis of this non-for-profit organization’s financial statements was performed, and the financial information contained in the statement of activities was examined. The American Cancer Society’s Statement of Income and Expenses for the years 2015 through 2017 illustrates that salaries and payroll accounted for over 50% of total revenues, while research accounted for 13%. See table below.

**American Diabetes Association**

Diabetes is a very common disease in the American society. Data shows that 10% of the American population has the disease. In the year 2015 about 84.1 million Americans had prediabetes. This is a major illness and the seventh leading cause of death in America. In the year 2017, total cost associated with diabetes was over $327 billion. A major organization in the fight against diabetes is the American Diabetes Association. This organization is over 80 years old and its mission is to prevent and cure diabetes. An analysis of the financial statements of this organization indicates that salaries and benefits represent 39% of revenues, and professional fees, which are sometimes salaries, represent another 11% of revenues. Together they represent 50% of revenues. Research cost, under grants, represent 20%. See table below.
American Diabetes Association

Statement of Income and Expenses (dollar amounts in thousands)

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<td>Income</td>
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<td>$ 171,062</td>
<td>$182,286</td>
<td>$ 503,588</td>
<td>100%</td>
</tr>
<tr>
<td>Employee Cost</td>
<td>$ 60,276</td>
<td>$ 69,064</td>
<td>$ 66,042</td>
<td>$ 195,382</td>
<td>39%</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>17,838</td>
<td>20,600</td>
<td>17,842</td>
<td>56,280</td>
<td>11%</td>
</tr>
<tr>
<td>Grants</td>
<td>36,656</td>
<td>32,426</td>
<td>31,281</td>
<td>100,363</td>
<td>20%</td>
</tr>
<tr>
<td>All other Expenses</td>
<td>60,845</td>
<td>68,560</td>
<td>68,159</td>
<td>197,564</td>
<td>39%</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$ 175,615</td>
<td>$ 190,650</td>
<td>$ 183,324</td>
<td>$ 549,589</td>
<td></td>
</tr>
</tbody>
</table>


American Heart Association, Inc.

Heart disease is the leading cause of death in the United States. It is estimated that one of every four individual die from heart disease. Nearly 800 thousand Americans die each year from this disease. It is also estimated that 86 million Americans have some type of cardiac disease. The cost of this disease to society is over $300 billion and it is estimated to increase to over $800 billion by the year 2030. The lost productivity from this disease is over $275 billion. The American Heart Association is the organization in the fight to eradicate this disease. This 95-year old organization’s mission is to be a force for a world of longer, healthier lives. This organization comprises of thirty-three million volunteers and thirty-four hundred employees. An analysis of the financial statements of this organization reveals that 41% of revenues is attributed to salaries. Salaries for this organization is the largest expenditure. Professional fees are 10%, while research, embedded in grants and awards, represents 20%. See table below.

American Heart Association Inc

Statement of Income and Expenditure (dollar amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>Total</th>
<th>% of Rev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>$ 911,987</td>
<td>$ 863,354</td>
<td>$ 808,085</td>
<td>$ 2,583,426</td>
<td>100%</td>
</tr>
<tr>
<td>Salaries, taxes, and benefits</td>
<td>$ 372,069</td>
<td>$ 358,944</td>
<td>$ 337,726</td>
<td>$ 1,068,739</td>
<td>41%</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>89,975</td>
<td>90,744</td>
<td>88,585</td>
<td>269,304</td>
<td>10%</td>
</tr>
<tr>
<td>Awards and Grants</td>
<td>171,947</td>
<td>172,883</td>
<td>170,177</td>
<td>515,007</td>
<td>20%</td>
</tr>
<tr>
<td>Printing and Publications</td>
<td>113,297</td>
<td>125,925</td>
<td>134,324</td>
<td>373,546</td>
<td>14%</td>
</tr>
<tr>
<td>All Other Expenses</td>
<td>143,233</td>
<td>144,609</td>
<td>131,091</td>
<td>418,933</td>
<td>16%</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$ 890,521</td>
<td>$ 893,105</td>
<td>$ 861,903</td>
<td>$ 2,645,529</td>
<td></td>
</tr>
</tbody>
</table>


Leukemia & Lymphoma Society

Blood cancers are horrible diagnosis. In the United States one person is diagnosed with this ailment every four minutes. Two common types of blood cancers are leukemia and lymphoma. These cancers are commonly referred to as liquid cancers. Over one million people in the United States are living with these diseases. Every day one hundred and seventy individuals are diagnosed with leukemia and two hundred and twenty-three individuals are diagnosed with lymphoma. The daily death toll is sixty-seven from leukemia and fifty-eight from lymphoma.

The Leukemia and Lymphoma Society is the organization fighting these diseases. This 60-year old organization is dedicated to curing leukemia and lymphoma and hopes to rid the world of these deadly blood cancers. The financial statements of this organization for the years 2016 to 2018 show that salaries and related expenses represent the largest expenditure. Salaries and employee benefits represent 27% of revenues, and professional fees accounts for 6%. Research spending, embedded in Awards and Grants,
represents 12% of revenues. See table below.

<table>
<thead>
<tr>
<th>The LEUKEMIA &amp; LYMPHOMA SOCIETY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of Revenue and Expenditures (dollar amounts in thousands)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>$289,044</td>
</tr>
<tr>
<td>Co pay Assistance</td>
<td>159,851</td>
</tr>
<tr>
<td>Total income</td>
<td>$448,895</td>
</tr>
<tr>
<td>Salaries, employee benefits and taxes</td>
<td>$108,350</td>
</tr>
<tr>
<td>Co Pay Assistance</td>
<td>108,442</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>23,558</td>
</tr>
<tr>
<td>Awards and Grants</td>
<td>44,517</td>
</tr>
<tr>
<td>All Other expenses</td>
<td>88,008</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$372,875</td>
</tr>
</tbody>
</table>


Analysis

It is important to remember that the not-for-profit criteria is that excess income of the organization cannot be distributed to any particular individual or individuals. Performance of these analyses highlights that salaries and benefits account for the largest expenditure within these organizations, and this leads to two significant questions. Who are the real beneficiaries of these structures and are they circumventing the regulations for not-for-profit organizations? The missions of all of these four major health related not-for-profit organizations are to find a cure for or rid the country of these diseases and promote a healthier America. Will the missions be accomplished if the organizations invest an average of 15% of their revenue in research, whereas an average of 46% is invested in salaries and benefits?

After examination of the financial statements of these four major health related not-for-profit organizations, it was noted that their operations are similar to that of trade associations—organizations that organize around particular industries. These four organizations, the American Diabetes Association, the American Cancer Society, the American Heart Association and the Leukemia and Lymphoma Society, operate to benefit and promote the industries they represent, and make the public aware of their existence.

The connections between these four health related organizations and the healthcare and pharmaceutical industries can be seen by examining the donor list of the four not-for-profit organizations’ annual reports. The pharmaceutical and healthcare industries are the largest donors to these four organizations. The American Heart Association received millions of dollars from organization such as Amtheim Inc., Bayer Inc., Medtronic, and Novartis. The American Cancer Association received millions from CVS Caremark, Walmart, Procter and Gamble and Kroger. The American Diabetes Association largest donors are Jansen Pharmaceutical, Merck, Novo Nordisk, and Sanofi. The Leukemia and Lymphoma Society largest donors are Abbvie, Bristol Myers and Pfizer.

The monetary connection between these organizations are problematic because a cure for these diseases would have a severe financial impact and would be detrimental to both the four not-for-profit health organizations and the healthcare and pharmaceutical industries. The assets of these four health related organizations total over $800 billion and this financial position can be a hinderance to the organizations’ need to deliver a cure for these diseases. These organizations should be working in the interest of the public. The billion-dollar financial position among these four Not-for-Profit Health Organizations and the Pharmaceutical Industry appears to be a hindrance in finding a cure to these chronic diseases.

Conclusion
These four not-for-profit organizations indicate missions to conduct research to eliminate the above-mentioned diseases. However, research expenses are not specifically identified and pointed out within the financial statements. Research is a significant expense for these four organizations, and it is imperative for it to be clearly shown or reflected on their financial statements and not be included or embedded in other expenses. Further investigations on the management and compensation levels of these organizations must be undertaken.

Society must look for solutions. There should be extensive reviews of the not-for-profit laws and a limited life should be assigned to these not-for-profit organizations. These organizations have been in existence for over 60 years and there still is no cure for any of the diseases they purport to conduct research for. These not-for-profit organizations should not be allowed to have an indefinite life. The Internal Revenue Service and Congress must review and rewrite the not-for-profit laws of the United States. The law should be written that after 50 years the Internal Revenue Service should take 5% tax of gross revenue, and after 60 years 10% tax of gross revenue. After seventy years these organizations should be phased out over a period of five years. The Internal Revenue Service and Congress must reexamine and rewrite the not-for-profit laws.

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M moderated mediation model linking error management culture to organizational performance

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Keywords
Error management culture, innovative work behavior, organizational learning from errors and perceived psychological safety

Abstract
Errors are ubiquitous in organizational life and adversely affects organizational performance, creates negative publicity, damage organizational image and customer satisfaction. In view of its importance, we have developed a moderated mediated model to analyze the impact of organizational error management culture and organizational performance by extending error management and share cognition theory. The newly developed model was tested in the service industry of Pakistan. The sample size of the study was 300 employees with a response rate of 96%. The data was collected through a web-based questionnaire. The constructs used in the study were adapted from earlier established scales and measures. Smart PLS was used to test the structural model. The results show that error management culture has a significant positive effect on organizational performance. Moreover, we found organizational learning from errors and innovative work behavior mediates the association of error management culture and organizational performance. Furthermore, we found that perceived psychological safety moderated the direct relationship between organizational learning from errors and error management culture. The current study has significant implications for management, theory, and research. For instance, perceived psychological safety in earlier studies has been used as a mediator while we have used it as a moderator. In addition, we tested multi mediation (i.e., organizational learning from errors and innovative work behaviour) to empirically validate the relationship of error management culture and organizational performance.

1. Introduction
In many ways, the organizational landscape has undergone dramatic changes in the last two decades. The rising dynamism, and complexity of contemporary business environment couple with growing technological advancement poses new challenges and opportunities for effectively dealing with errors. Errors are rampant in every organizational life that may produce either negative or positive outcomes. Errors in organizations are defined as unintentional and potentially avertable aberrations from organizationally specific standards and goals (Frese & Keith, 2015). With a view to its importance for organizational performance, error literature in recent years has gained momentous growth and thus regarded as a key phenomenon of burgeoning theoretical and managerial importance (Goodman et al., 2011).

Errors are prevalent in every organizational activity ranging from product development to service encounters and have certain negative ramifications such as decreased customer satisfaction, create negative publicity, damage reputation, increase economic costs, elevating psychological stress, job dissatisfaction and in extreme situation it results in loss of human life (Zhao & Olivera, 2006). Errors are pervasive not only in various aspects of organizational life but also in the environment, economy and in
Given the significance of errors, the organization has two complementary approaches for dealing with errors namely error prevention (error avoidance) and error management. The former approach takes errors as negative (Reason, 2000; Zhou, 2006) while the latter consider the error as valuable feedback for learning and focused on reducing the negative consequences arises from errors; Chillarege, Nordstrom, & Williams, 2003). In other words, error management approaches view errors as constructive - that can foster positive outcomes for organizations such as learning and innovation (Lei, Naveh, & Novikov, 2016).

In order to implement error management approaches at the organizational level, it is incumbent to established error management culture. Error management culture refers to a shared set of norms and value that facilitate error identification, communication, and rectification (Van Dyck, Frese, Baer, & Sonnentag, 2005). Research in this area underlined the fact that error management culture is critical in reducing negative error outcomes (e.g., service interruptions, negative publicity, faulty products, lost human lives) and fostering positive error outcomes, including learning and innovation (Van Dyck et al., 2005). Learning from errors tend to produce several positive outcomes such as performance improvement (Cannon & Edmondson, 2001; Heimbeck, Frese, Sonnentag, & Keith, 2003).

Extending this line of research, organizational scholars argued that by reducing the interpersonal risks, the employees are more likely to learn from their errors (Zhan & Hample, 2016). In this respect, a concept of perceived psychology safety -perceptions of interpersonal risky behaviours (Kahn, 1990) seemed to be an important antecedent organizational learning from errors (A. C. Edmondson, 2004)

In addition to organizational learning, error management culture may also yield new organizational innovation and processes (Cannon & Edmondson, 2005). It is worthy to note that there is an unexpectedly very limited number of studies on the relationship between innovative work behaviour and organizational error management culture. Innovation refers to useful, creative, reliable and implementable solutions (Argote & Miron-Spektor, 2011). Frese and Keith (2015) argued that innovation and error management culture are complementary to each other. For instance, during the process of exploration and experimentation, new types of errors are being generated experimentation (Hammond, Farr, & Sherman, 2011). However, if the organization exhibit error management culture, then efforts are being channelized to reduce the potential damages of errors and prevent the future occurrence of similar errors (van Dyck et al., 2005).

Since error management culture encompasses organizational practices related to detection, communication, sharing and dealing with errors, it is proposed that organizational error management culture decipher into positive organizational performance through multi -mediators such as organizational learning from errors and innovative work behaviour that not only reduce negative error consequences but also increase positive outcomes of errors i.e., organizational performance. We further propose perceived psychological safety as a moderator between organizational learning from errors and organizational error management culture to

To summarize, this study aims to answer the questions of whether error management culture affects organization performance through organizational learning from errors and innovative work behaviour. In this way, this study made some valuable addition to the relevant literature. First, by focusing on intervening variables, this fills the significant research gap by delineating the relationship between error management and learning and between learning and innovation (Lei, Naveh, and Novikov 2016). Secondly, we advance our understanding that organizations that tolerate of mistakes are likely to involve in learning behaviours, and thus add to the growing literature of organizational learning. Thirdly, previous studies on organizational error management culture has been extensively conducted in high reliable organization such as aviation (Helmreich & Merritt, 2000), medicine (Edmondson, 2004), and manufacturing (Candranegara, 2015.) however less attention has been paid to the service sector that contributes 60 to 70% to GDP in many economies(Coelho & Augusto, 2010). Therefore, this study attempts to fill this gap by focusing on service industries in Pakistan to enhance the generalizability of the results.

2. Literature Review
2.1 Theoretical background

Organizations are facing various types of errors (Vogus, Sutcliffe, & Weick, 2010). Errors are defined as the avoidable gap between expected and real state (Zhao & Olivera, 2006). Errors may generate potential negative outcomes for organizational life which consequently hampers its performance. Therefore, the study of organizational errors merits on its own. Keeping in view the exponential growth of error literature, there is a growing interest of services scholars to investigate the impact of various dimensions of errors on the organizational performance (Guchait, Simons, & Pasamehmetoglu, 2016)

Error management culture is defined as a shared set of organizational norms and practices to collect, communicate, handle and report error related information. Share cognition theory proposes that high error management culture facilitates employees in recognizing and managing errors timely (Fiore & Schooler, 2004; Chiu, Hsu, & Wang, 2006). Under the error management culture, employees not only learn from their own errors but also from others, which results in effective handling errors (Mathieu, Heffner, Goodwin, Salas, & Cannon-Bowers, 2000; Cannon & Edmondson, 2001). Various scholars have studied the effect of organizational error management culture on employee’s performance (Dimitrova, Van Dyck, Van Hooft, & Groenewegen, 2015). Accordingly, organizations with high management culture have an active mechanism of handling and managing errors by encouraging the employees to report the errors as they happen. While in organizations that have low error management culture, the employees in such organizations are punished and blamed for committing errors (van Dyck et al. 2005). Consequently, employees tend to conceal errors to avoid negative feelings such as shame, fear, and guilt (Zhao & Olivera, 2006).

In the same way, it was found that error management culture encouraged the employees to learn from errors and mistakes by understanding their causes or decrease the negative outcomes arises from error (Reason, 2000). Furthermore, it fosters the climate of innovativeness, exploration, and experimentation via ambidexterity (Van Dyck et al. 2005); ambidexterity refers to experimenting and refining new and existing products/services that lead to better performance (Hülsheger, Anderson, & Salgado, 2009). Therefore, we can propose that error management culture can be regarded as an important antecedent of organizational performance in the service industry.

2.1.1 Error Management culture and Organization Learning from Errors

Research on learning from organizational errors has gained momentum in recent years (Harteis, Bauer, & Heid, 2012). Argyris, (1976) stated that organizational learning modified the individual behaviour ('single-loop learning') or it can also modify an individual’s values and norms underlying behaviour ('double-loop learning'). In order to enhance the organizational learning from errors, there must have the sound culture of accountability, inquiry (error identification, analysis, and rectification) and trust (interpersonal sharing of the error learning experience) among the employees (Ellis, Caridi, Lipshitz, & Popper, 1999)

Van Dyck et al. (2005) suggested that there is sharp contrast between error aversion culture (avoiding and concealing errors to reduce negative feelings) and error management culture (characterized by constructive handling and communicating about errors) that encourage organization ability to learn from errors.

Argyris, (2017) argued that the process of learning comprises of identification and rectification of errors, couple with an active reflection on experience and experimentation. Moving further, learning from errors can drive transformative organizational and individual development; Tucker & Edmondson, 2003). Previous research suggested that error management culture encourage employees to learn by allowing errors to happen (Keith & Frese, 2011). Organizational learning is characterized as a continuous process of activities such as asking questions, pondering on results, sharing information, discussing errors, and seeking feedback (Frese & Keith, 2015). Organizational scholars have also developed insights on various dimensions of organizational learning and their relationship with error management culture. First, organizational error management culture promotes open communication that lead to learning from errors (Van Dyck, 2000; Van Dyck et al., 2005). Second, organizational error management culture provides a secured environment for learning where employees feel safe in committing errors and talking about the errors. Third, error management cultures also incorporate mutual respect, trust and confidence among the employees that they will not be blamed, punished or rejected for making and discussing errors that
consequently lead to learning from errors (Edmondson, 1999; Hofmann & Frese, 2011). Based on the previous literature, the following hypothesis is proposed

\[ H1: \text{Organizational Error Management Culture is positively associated with organizational learning from errors} \]

### 2.1.2 Organization Learning from Errors and Innovative Work Behaviour

Innovative work behaviour (IWB) has been defined as a set of interrelated behaviours for idea creation, idea promotion and idea realization (Janssen, 2004). There is a growing bulge of studies regarding the relationship between innovativeness and learning orientation (Sinkula, Baker, & Noordewier, 1997). For instance, Calantone et al. (2002) empirically validating the impact of learning orientation on innovativeness. Similarly, Liu, Luo, & Shi (2002) also argued that organizational learning is an important predictor of firm innovativeness. In the same line, Hult et al. (2004) empirically validate the argument that organizational learning is a significant antecedent of innovativeness. According to (Cefis & Marsili, 2005) organizational learning keeps the organization competitive by introducing new product and services. Given this line of research, Zohoori, Mohseni, Samadi, & Attarnezhad, (2013) established that organizational learning from errors strongly affects innovative work behaviour.

There are quite a number of few studies that empirically validate indirect relationship of organizational learning from errors with organizational performance through innovative work behaviour (Alegre & Chiva, 2008; Hao, Kasper, & Muehlbacher, 2012). Extending this line of research Škerlavaj, Song, & Lee, (2010) conducted research on many Korean organization’s innovative cultures and found that learning organization was the significant predictor of service, product and process innovation. Similarly, various scholars have studied the relationship between organizational learning from errors and innovation process (Škerlavaj et al., 2010; Park, Song, Yoon, & Kim, 2014). So, we propose the following hypothesis

\[ H2: \text{Organizational learning will be positively related to Innovative work Behaviour} \]

### 2.1.3 Innovative Work Behaviour and Organization Performance

Innovativeness is an important predictor of business performance (Cooper, 2000). Prior research on organizational performance barely focused on the organization capacity to innovate (Damanpour, 1991; Hurley & Hult, 1998; Cooper, 2000). Innovativeness is regarded as a predominant strategic tool to promptly deal with changing internal and external environment. In the face of a complex and turbulent environment, it is crucial for an organization to fuel innovativeness for achieving high performance and competitive advantage (Hult et al., 2004).

Owing to the dynamic environment, Innovative work behaviour (IWB) of employees is pivotal in achieving better performance(Kanter, 1983). This line of research is further extended by Rosenbusch, Brinckmann, & Bausch, (2011). They argued that innovativeness significantly contributes to overall organizational performance. Similarly, several authors also underlined the importance of innovative work behaviour to improve organizational performance (Van de Ven, 1986; Gatignon, Tushman, Smith, & Anderson, 2002; Unsworth & Parker, 2003). Moreover, Campbell, Gasser, & Oswald, (1996) empirically demonstrated the positive link between innovative work behavior and organizational performance.

An important line of organizational performance literature also focuses on the organizational climate of innovativeness and organizational performance (Nybakk, Crespell, Hansen, & Lunnan, 2009). Other scholars have also pointed the association of innovative work and organizational performance through gaining competitive advantage (Yuan & Woodman, 2010; Shih & Susanto, 2011; Janssen et al., 2004; Oldham & Cummings, 1996; Scott & Bruce, 1994).

\[ H3: \text{Innovative Work Behaviour will be positively associated with Organizational performance} \]

### 2.1.4 Moderating role of Perceived Psychological Safety

Psychological safety is defined as the feeling that one is investing oneself into an organizational role without fear of negative repercussion to career, status or self-image (Kahn, 1990). In other words, perceived psychological safety delineates individual perceptions of risks involved in their work environment. In prior studies, perceived psychological safety has been widely studied as mediating variable in explaining team outcomes, it is also found that perceived psychological safety play a more significant role as moderator (Sanner & Bunderson, 2013). Furthermore, perceived psychological safety
may turn out to moderate the antecedents of organizational performance and organizational learning (Edmondson 2004; Salas, Wildman, Burke, & Goodwin, 2008; Sanner & Bunderson, 2013).

A. C. Edmondson & Lei, (2014) emphasized the role of leaders in fostering perceived psychological safety in the organization. They suggested that climate of perceived psychological safety empowers employees to identify, analyze, and learn potential hazards that threaten their performance. Moreover, perceived psychological safety facilitates employees to overcome learning anxiety—a state where unexpected results thwart one’s productive learning (Schein, 1985). Previous research has shown that perceived psychological safety is conducive to higher performance by reducing risk in proposing new ideas, better team learning, and smoother collaboration in solving problems (West, 1990; Edmondson, 1999). Moreover, perceived psychological safety was found to have a key role in enhancing organizational learning from errors through experimenting and sharing past reflections (Cannon & Edmondson, 2001; West & Anderson, 1996). However, in a psychologically unsafe environment, people do not report their errors for the sake of blame and punishment. As a result, employees refused to engage in learning behavior which ultimately dampens the organizational performance.

Error management culture, on the other hand, reduces negative feelings by acknowledging the inevitability of errors in organizational life (Lei, Naveh, Nivokov, 2016; Hommsma, Van Dyck, De Gilder, Koopman, & Elfring, 2009; Bauer & Mulder, 2007; Edmondson, 1999) and thus enhances perceived psychological safety of employees. Furthermore, perceived psychological safety was presumed to enrich organizational learning by abolishing obstacles of self-defensiveness, fear, and uncertainty (Edmondson, 1999; Sanner & Bunderson, 2015).

Therefore, based on the above arguments we take perceived psychological safety not as a causal factor but as a moderator to strengthen the relationship between organizational error management culture and learning from errors.

\[ H4: \text{Perceived Psychological Safety will moderate the relationship between Error Management and Organizational learning} \]

2.2 Conceptual Model

![Figure 2 Conceptual Framework]

3.1 Research Methodology
3.1.1 Procedure and Participants

The target audience for this paper are employees from service industries, located in Karachi. Specifically, service industries were targeted owing to limited study in this sector. First, service industries contribute 55% to GDP of Pakistan, with annual growth rate of 4.3% and involve 35.1% of labor forces (Economic survey of Pakistan, 2015-16). Therefore, given the significance of the service sector in the economy, more studies are required to shed light on error management in services settings (Karatepe, 2012). Second, employees working in different various sectors such as banking, marketing, medical,
teaching, and management were taken to enhance the generalizability of the current study. The sample size for this study was 300 employees with responding rate of 96%. The questionnaire was administered in English and was not translated into native language Urdu as the target audience are well versed in comprehending English. They were informed that the research would be used for academic purpose and their confidentiality is maintained.

### 3.1.2 Measures & Scale

All the measures utilized a five-point Likert scale (1=strongly disagree; 5=strongly agree). The constructs used in this study was adapted from the earliest literature. For measuring, Error management culture scale, Error Orientation Questionnaire (Rybowiak, Garst, Frese, & Batinic, 1999) with twelve-item scale was adapted. Sample items include “For us, errors are very useful for improving the work process”, “After an error has occurred, it is analysed thoroughly”, “When an error has occurred, we usually know how to rectify it.”

To specifically assess perceived psychological safety, Edmondson,(1999) perceived psychological safety questionnaire was adapted. A sample item includes “If you make a mistake on this organization, it is often held against you”, “It is safe to take a risk in this organization.”

Employees rated the extent to which their organizations exhibit learning from errors, using seven items based on Putz, Schilling, Kluge, & Stangenberg, (2013) OLE questionnaire. A sample item includes “People in our organization believe that errors at work can be a helpful part of the learning process”

To assess innovative work behaviour, a nine-item scale of Janssen (2004) has been adapted. A sample item includes “I search out new working methods or instruments to improve my work”

Organization performance has been measured using a five-item scale from Delaney & Huselid, (1996). Sample items include “The firm has the ability to achieve a high level of customer satisfaction”

### 3.1.3 Statistical Analysis

SMART Analysis was used for statistical analysis. Prior to testing the structural model, preliminary statistical analysis was carried out which is inclusive of normality, reliability, and missing value analysis.

### 4. Data Analysis and Discussion

#### 4.1 Respondent profile

Of the total respondents, 70.3% (211) were male while 29.7% (89) were females. Working experience of the employees varies, with 48 % of the employees having 1-5 years of experience followed by 36% with 6-10 years of experience. Ages of the employees were as high as 55 and as low as 22 with 44 % of the sample lie between 20-30 years.

#### 4.2 Descriptive

Univariate normality of the constructs was examined through skewness and kurtosis. Table 1 depicts the descriptive statistic.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>Skewness</th>
<th>Kurtosis</th>
<th>Cronbach’ Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Error Management Culture</td>
<td>4.08</td>
<td>.234</td>
<td>1.09</td>
<td>1.04</td>
<td>0.70</td>
</tr>
<tr>
<td>Innovative work Behaviour</td>
<td>3.85</td>
<td>.440</td>
<td>-.032</td>
<td>1.76</td>
<td>0.85</td>
</tr>
<tr>
<td>Org. Learning from Errors</td>
<td>3.74</td>
<td>.534</td>
<td>-.648</td>
<td>1.96</td>
<td>0.88</td>
</tr>
<tr>
<td>Organization Performance</td>
<td>3.63</td>
<td>.740</td>
<td>-.86</td>
<td>0.43</td>
<td>0.85</td>
</tr>
<tr>
<td>Perceived Psychological safety</td>
<td>3.35</td>
<td>.516</td>
<td>-1.02</td>
<td>1.76</td>
<td>0.72</td>
</tr>
</tbody>
</table>

Table 1 shows that Error Management Culture (M=4.08, SD=.23) has the highest Skewness (-1.09) followed by Perceived Psychological Safety (M=3.35, SD=.51), Organization Performance (M=3.63, SD=.74), Organization Learning from Errors (M=3.74, SD=.53) and Innovative Work behaviours (M=3.85, SD=.44). On the other hand, the highest Kurtosis (1.96) is of Organization Learning from Errors (M=3.74, SD=.53) and the lowest kurtosis (.305) is of Organization performance (M=3.63, SD=.74). All the Skewness and Kurtosis values ranged between ±2.5 indicating that the constructs have no issue with Univariate
normality (Byrne, 2013).

4.3 Construct Validity

Construct validity is defined as the extent to which given measure adequately assess the construct it supposed to assess (Nunnally & Bernstein, 1994)

4.3.1 Convergent Validity

Convergent validity in the study has been ascertained through composite reliability and average variance extracted. The results are presented in Table 2

<table>
<thead>
<tr>
<th>Table 2: Convergent Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construct</strong></td>
</tr>
<tr>
<td>Error Management Culture</td>
</tr>
<tr>
<td>Innovative work Behaviour</td>
</tr>
<tr>
<td>Org. Learning from Errors</td>
</tr>
<tr>
<td>Organization Performance</td>
</tr>
<tr>
<td>Perceived Psychological safety</td>
</tr>
</tbody>
</table>

The above table indicates that reliability of each construct is more than 0.7 and the variance explained for each factor is more than 0.5, which means that constructs meet the requirement of convergent validity (Bell, Bryman, & Harley, 2018).

4.3.2 Discriminant Validity

Discriminant validity indicates the uniqueness and distinctiveness of the adopted construct. The results are summarized in Table 3

<table>
<thead>
<tr>
<th>Table 3: Discriminant Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Constructs</strong></td>
</tr>
<tr>
<td>Error Management Culture</td>
</tr>
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<td>Org. Learning from Errors</td>
</tr>
<tr>
<td>Organization Performance</td>
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<tr>
<td>Perceived Psychological safety</td>
</tr>
</tbody>
</table>

Table 3 shows that the value of square root of AVE is higher than the square of each pair of correlation which confirms that the data fulfils the requirement of discriminant validity

4.4 Path Coefficients

This study has examined the direct effect as well as an indirect effect. The generated output from SMART PLS is presented in table 4 and 5 and the structural model is presented in figure 2

<table>
<thead>
<tr>
<th>Table 4: Direct Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No.</strong></td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
</tbody>
</table>

EMC =Error Management culture, OLE= organizational learning from errors, IWB=Innovative Work Behaviour, Per. Psychological safety=perceived psychological safety

Hypothesis 1 was on the impact of organizational error management culture on organizational learning. The result supports the hypothesis (β=0.20, t=6.57 <.05) that organizational error management culture is positively associated with organization learning. Hypothesis 2 proposes that organization learning from errors and innovative work behaviour. The result (β=0.65, t=12.093 <.05) support the hypothesis that organizational learning from errors is significantly and positively associated with innovative work behaviour. Hypothesis 3 was on the impact of innovative work behaviour and
organizational performance. The results ($\beta=0.65$, $t=12.093 <.05$) depict that innovative work behaviour has a significant and positive association with organizational performance. To analyse the moderating effect of perceived psychological safety on the relationship between organizational learning from errors and error management culture, we conducted moderation analyses with organizational learning from errors as the dependent variable. The results ($\beta=0.23$, $t=6.67 <.05$) supports the hypothesis that perceived psychological safety moderates the relationship.

Table 5: Indirect Effects

<table>
<thead>
<tr>
<th>No.</th>
<th>Hypothesis</th>
<th>Path Coeff</th>
<th>T Statis</th>
<th>P Values</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>EMC -&gt; Org. Learning from Errors -&gt; IWB</td>
<td>0.13</td>
<td>2.31</td>
<td>0.01</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>Per. Psy Safety -&gt; EMC -&gt; Org.l Learn.Errors</td>
<td>0.08</td>
<td>2.63</td>
<td>0.004</td>
<td>Accepted</td>
</tr>
<tr>
<td>2</td>
<td>EMC -&gt; Org.l Learn. Errors -&gt; IWB</td>
<td>0.07</td>
<td>2.24</td>
<td>0.01</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>Org.l Learn. Errors -&gt; IWB -&gt; OP</td>
<td>0.36</td>
<td>9.79</td>
<td>0.00</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

The results revealed that both direct and indirect paths are statistically significant. Therefore, the inclusion of organizational learning from errors ($\beta=0.13$, $t=2.31 <.05$) and innovative work behavior ($\beta=0.36$, $t=9.79 <.05$) as a mediator between organizational error management culture (EMC) and organizational performance is meaningful. It can be concluded that organizational learning from errors mediates the relationship between error management culture and innovative work behavior. Furthermore, we also found that innovative work behaviour mediates the relationship between organizational learning from errors and organizational performance.

4.5 Discussion

We advance our understanding of how error management culture predicts organizational performance through multi mediators i.e., organizational learning from errors and innovative work behaviour. In doing so, we integrate error management theory with share cognition theory to explain why and how organizational error management culture enhances organizational performance. Specifically, we found that error management culture inculcates learning behaviours among the employees by focusing on the informative aspect of errors. We also analysed that organizational error management culture indirectly leads to a positive organizational performance by fostering organizational learning from errors, understanding the underlying causes of errors, and preventing them from happening in the future. We also show that organizational learning from errors predicts organizational performance through innovative work behaviour that involves active exploration and experimentation. Moving further, we
found that perceived psychological safety, reduces the anxiety related to interpersonal risks, thus encouraging employees’ willingness to learn from errors.

4.6 Theoretical Contribution

Our study extends the error literature in several ways. Although, few studies have demonstrated the positive outcome of error management culture on employee’s well-being, recovery of service quality, co-worker helping behaviour and employee’s performance, less attention has been paid to understand how organizational error management culture influences organizational performance via multi mediators. Thus, by theorizing and verifying organizational learning from error and innovative work behaviour as a significant intervening variable, this study creates synergies between organizational learning and organizational error management and provides supplementary support to the effectiveness of error management literature in attaining high performance. Since error management is a decisive aspect in dealing with errors in organizations, this study also reinforces the importance of error management culture in recent studies in effectively dealing with errors as compared to error prevention culture. The second worthwhile addition of this study is the inclusion of perceived psychological safety as a moderating variable. In most of the previous studies, perceived psychological safety tend to assume as an intervening variable while in this study we take it as a moderating variable. Worth noting, the result of this study suggested that perceive psychological safety served as a boundary condition influencing organizational learning from errors.

The third contribution was to analyse the impact of error management culture in the service industry. The previous error literature was taken into account the non-service industry such as manufacturing and aviation. Recent studies have begun to examine error management culture in service settings (Guchait, Zhao, Madera, Hua, & Okumus, 2018). The current study empirically validates the significant impact of error management culture in the service industry. In this way, the current study increases the generalizability of error management literature.

5. Practical Implications

The current study has various practical implications. First, by analysing the impact of management culture on organizational learning from errors, this study suggests that by strengthening error management culture, the organization could make a significant difference. Secondly, many organizations have a punishment-oriented system which rewards success and punishes failure and errors. Under such type of system, employees’ productivity is seriously affected since the atmosphere of the organization is not conducive for learning from errors (Tjosvold, Yu, & Hui, 2004). In light of the given study, managers need to establish safe atmosphere rather than the blaming environment to achieve high performance. This is only done if the management understands the importance of perceived psychological safety for promoting organizational learning from errors. Moreover, management needs to develop such competencies in employees that encouraged them to think positively about errors as a part of organizational learning and innovation.

5.1 Limitations and Direction for Future Research

Although this study has practical significance for the service industry, but there few limitations that should be accounted for. First, there are several unexamined contextual factors that affect the relationship between organizational error management culture and organizational performance. For instance, leadership orientation, cultural dimensions are among the few contextual factors that can affect the proposed relationship. The inclusion of contextual factors calls for answer the following questions that are under what condition might the error management interventions be more effective and how?

Secondly, there are many instances where errors are not managed for instance where speed overrule quality. In such situations, learning from errors are being stifled (Lei, 2018). So, in order to maintain the balance between the contradictory priorities (speed vs quality), future studies need to examine the complimentary priorities to influence the emergence of errors in the organization.

Thirdly, future studies should incorporate cross-cultural comparisons of error consequences, antecedents, processes to understand their underlying mechanism, (Gelfand, Frese, & Salamon, 2011).

5.2 Conclusion
Errors are ubiquitous in organizational life and it is next to impossible to eliminate all kinds of organizational errors. With the view to maintain a competitive position in the global dynamic environment, it is crucial for organizations to encourage their employees to learn and innovate from their errors. By incorporating error management literature with share cognition theory, this current study explains the underlying mechanism of organizational error management culture through multi mediators in achieving organizational performance. The result from the service industry provides the empirical support to our hypothesis that error management culture is indirectly linked to organizational performance through organizational learning from errors and innovative work behaviour and perceived psychological safety moderates the relationship between organizational learning from errors and error management culture. These findings also shed light on the importance of constructive orientation toward errors for managers to develop error management culture in their organizations.

References


The inevitability of financial risks in businesses and how to overcome them: Saudi Arabia in focus

Nasser Mohammed Lasloom
Peoples’ Friendship University of Russia, Moscow, Russia

Keyword

Abstract
Financial risk is made up of potential volatility or changes in earnings that differ from participants' expectations and estimates of these values. This can have both positive and negative impacts depending on the preferences of risk consumers. The investment climate of a nation, especially for developing economies has a great role to play in the level of financial risks that an organization can be exposed to. Even if the best company in the world hires the best managers obtainable in a field to run a company in a country where the stakes are high as regards risk, the company will most likely show signs of financial risks that may just be inevitable. This study carefully analyzed financial risks in businesses with a focus on efficient management in a developing country like Saudi Arabia, using a qualitative research technique. The research provides additional contributions to discuss on financial risks in corporate organizations by not only highlighting the various types of risks applicable but demonstrated how they apply in Saudi Arabia.

Introduction
Business is not without risks. Thus, people who choose to do business must accept the fact that risks are an integral part of their businesses. Obviously, the biggest concern of all businessmen and entrepreneurs when they do business is that their companies are profitable and impresses spectacularly. While some fear that their businesses may not be profitable enough to support its continued operations and growth, there are those who fear that their businesses may not survive a few years. Some companies that have existed for years, even decades, are still constantly confronted with various types of business risks.

The fact that a business has been operating for more than 5 or 10 years does not mean that the business has become immune to risks. It is possible that the organization is using effective risk management strategies that allow businesses to thrive and even grow. From a financial point of view, risk can be considered as the possibility of a deviation in the expected future, which causes the desired results to differ from the expected, or uncertainty of the future financial products due to a decision made by an economic person in the present based on the results of a study of the behavior of a natural phenomenon in the past.

There can be both positive and negative meanings depending on the preferences of risk consumers. The phenomenon of loss aversion means that the assessment of losses has a greater impact on peoples' behavior than a similar level of profit. However, risk-loving agents may in some cases take on additional risk (Holton, 2004). Risk can also be seen as making differences in the yield between the planned, the required and the expected to occur (Khalid, 2003).

The investment climate of a nation, especially for developing economies has a great role to play in the level of financial risks that an organization can be exposed to. Even if the best company in the world hires the best managers obtainable in a field to run a company in a country where the stakes are high as regards risk, the company will most likely show signs of financial risks that may just be inevitable. Corruption, lack of internal control and mismanagement creates enabling environment for risks to thrive. Management issues like lack of control, expertise and transparency can also trigger risk. It is also worth mentioning that governance has emerged as part of a global culture aimed at increasing the participation of various parties in the community with the government in the development and implementation of public policies to express interaction or partnerships between the state, civil society and the private sector to achieve sustainable development (Lavachi, 2019).
Literature Review

Financial risk is made up of potential volatility or changes in earnings that differ from participants' expectations and estimates of these values. This can have both positive and negative impacts depending on the preferences of risk consumers. The phenomenon of loss aversion means that the assessment of losses has a greater impact on people's behavior than a similar level of profit. However, risk-loving agents may in some cases take on additional risk (Holton, 2004). Financial risk can occur from sudden changes in exchange rate, commodity prices and interest rates. Business cooperation especially in volatile countries like Saudi Arabia (judging from recent happenings) is susceptible to all these risks especially in the face of increasing global business activities. However, non-financial multinationals can take advantage of financial or operative hedging to shield themselves against these risks.

Management of financial risks should be done by the firm and its shareholders. A number of studies showed that shareholders value can be increased through corporations’ risk management in the face of capital market imperfection. Capital market imperfection can be such as costly external financing, agency conflicts, taxes as well as direct and indirect financing. Proper corporate risk management can make corporations to be more valuable to the benefits of its owners as agency cost could be incurred during the processes. Other benefits could include: Lowering expected cost of bankruptcy, coordination of corporate financing and investment policies, reduction of corporate tax burden and financial distress (Bartram, 2002).

Though risk is predictable, but it is always accompanied with other things. That is, the consumption of net risk as a separate product is impossible. As with many products, the consumer's perception and taste for risk may vary depending on experience. Hidden or explicit insurance from government sources can further change consumers' perceptions of risk, thereby making them to favor a more acceptable consumption pattern. These stylized facts allow us to argue that financial risk can be classified as a private product in small products, but when a certain size is reached, the threshold risk is no longer a private product. With increasing thresholds, it becomes a common pool and, as the total financial risk approaches the global system size, it becomes a public good. This “transmutation” of risk into another type of product can cause profound changes in the systemic level of risk, which has manifested itself in the most recent financial crises. Since risk is simply risk, additional products must be added to the original risk unit (s) for this transformation to take place (Congleton, 2012).

The following are various types of financial risks that can occur in a multinational:

- **Credit risk or default risk** arising from the inability of one party to pay or fulfill its obligations to the other, so that they will not be fulfilled. If the company is unable to receive receivables from customers, it will have a poor cash flow and lost revenue.

- **Market risk** arising from a recession in the market, which subsequently leads to a decrease or loss in the value of investments. If business assets decline in value, but everything else remains the same, the company's net worth will also decrease.

- **Liquidity risk** that arises when assets or securities belonging to a business cannot be immediately converted into cash if necessary. This leads to the risk of the enterprise defaulting on its obligations, such as payments on loans to creditors and dividend payments to owners and investors. Owners or board members may ultimately be held personally liable for business debts.

- **Operational risk** that arises from problems or problems in conducting daily business operations, such as equipment breakdowns, failure of business processes, and errors in the workforce. Mistakes made can result in significant financial losses, and this is just one of the many operational risks that enterprises face every day.

- **Interest rate risk** arising from sharp changes in interest rates, in particular, sudden drops that result in financial losses. This is often an offshoot of market risk since interest rates are directly dependent on changes in the economy.

- **Foreign exchange risk** arising from movements in foreign markets. Currency exchange rates, of course, will affect the profit of a business with foreign operations or conduct foreign transactions. All these risks can be triggered by the following factors:

  - Instability of the financial market. As a rule, financial markets are unstable and unstable, which can
lead to losses for businesses and investors. This instability is often characterized by unstable movements in stock prices and currencies and fluctuations in interest rates.

Economic factors. National economies and various industries can face large-scale problems, a classic example of which is the case of recession. Enterprises can suffer financial losses when a sector-wide economic shift occurs with unstable supply and demand behavior leading to lower prices, lower production, and even lower purchasing power of customers.

Actions and decisions of third parties (Counterparty risk). Financial risks can also arise from the actions of external parties such as suppliers, suppliers, competitors and even customers. For example, a business will also suffer if its customers' ability to pay their accounts receivable is impaired. The inability to receive from customers inevitably leads to significant financial losses for the company.

Internal actions (and inaction). Failures in the company's internal processes, systems, and workforce can also increase the organization's exposure to financial risks. If employees refuse to do their job, this can lead to low productivity and, as a result, to a low level of production. This means low inventory levels and fewer goods sold, which ultimately leads to lower incomes.

Legal interventions. Often, governments develop new laws or update existing ones that will affect the financial aspect of the business. This can increase costs or expenses that will reduce profit margins, or it can also affect the decision-making processes for purchasing customers at the expense of the business.

![Classification of financial risks](source: Author)

From the foregoing and as illustrated in Figure 1, it is clear that financial risks can emanate from all sides, which makes their prevention or minimization even more urgent. Businesses should be guided by these risks.

**An overview of Risk in Saudi Arabia**

Saudi Arabia is the largest economy in the Middle East and the richest Arab country in the region. The policy of large-scale public works undertaken by the authorities, as well as foreign direct investment and the reliability of the banking and financial system allowed the country to become the number one and one of the largest regional economy in the world. However, the Saudi economy relies almost entirely on oil. GDP growth has gradually decreased since 2015 to the point where the economy entered into a historical recession in 2017 (-0.7%). Growth was expected to reach 1.9%, and the non-oil economy would grow faster by 2.3% (IMF, 2019).

The IMF reduced its growth forecast for Saudi Arabia in 2019 from 2.4% to 1.9% amid regional and global geopolitical tensions and lower oil prices since late 2018.
The ups and downs of reform
Saudi Arabia

Unemployment rate
%

FDI inflows
$bn

2012 14 16 18

Sources: OECD national statistics
*Excluding foreigners

Figure 2: Sequence in the decline of Saudi Arabia economy

Source: OECD national statistics

Figure 2 graphically shows how the economy of Saudi Arabia has declined in the last five years, especially as regards Foreign Direct Investment, this underscore the need to adopt efficient strategies that will minimize financial risks which is a major concern to foreign investors as well as owners of multinational companies. The Saudi Arabian Monetary Policy Authority (SAMA) has introduced a risk management and compliance strategy in its strategy to maintain a culture with a high level of knowledge and awareness on a scientific and technical basis. In order to protect SAMA resources, the Risk and Compliance Department has developed mechanisms and methods for managing potential risks, constantly improving the risk culture and at the same time increasing the level of compliance with international, local, and domestic standards. In addition, the department provides the necessary support to ensure the continuity of critical tasks at SAMA.

A review of a case study (a mining company named Maaden), in Saudi Arabia gives an insight into corporate risk management in the country. The study shows that Maaden's corporate governance concept is based on the three main pillars presented in the corporate system, corporate governance rules and company charter, in addition to the best practices that apply to the management requirements established by Maaden (Obaid, 2003). The government’s requirements imposed by Maaden are listed below, such as an authority matrix, conflict of interest guidelines and professional conduct, a guide to punctuality policies and procedures, and a guide to shareholders. In addition, the leadership of the board of directors, the rules of the management committee, the rules of the strategic risk management committee, the regulation on the review committee and the regulation on the executive committee. Finally, the provisions of the Human Resources and Compensation Committee, the Social Responsibility Committee, a disclosure policy and transparency document, and a communications policy document for company management (Hind, 2003).

Maaden has adopted a risk management method in accordance with the ISO 31000 standard, which is based on monitoring, analysis and risk assessment by establishing a situation: (risk identification, risk analysis, risk assessment), and then how to deal with risk by contacting consultants and old experience, and the review committee, coming from the Board of Directors, takes responsibility for monitoring the internal control system, as well as the procedures and rules that govern risk management and access to periodic reporting and monitoring in risk management, through the Tactical Risk Committee and the Operational Risk Committee, and this is followed by financial strategies that determine the numbers of risks by which the company must make a decision; and, therefore, applies to the financial industry of
derivative financial instruments and the insurance industry. Since any risk is associated with a financial transaction, it is necessary to identify scenarios that define the risks to eliminate them (Yahia, 2013). An external audit, which is one of the requirements of the Saudi body for legal accountants, represented by the Internal Audit, does assessment of practice, monitoring of risks for the fight and reporting to the company management, as well as making suggestions for improvement (Yahia, 2013).

In another study that investigated 49 companies’ German companies operating in Saudi Arabia, the study shows that cultural risk is assessed as more important in the business environment than political, financial, and economic risk. The most critical risk factors are not sufficiently included in the country risk assessment methodology, which is often used as a source of risk information for a particular country. In terms of risk management strategies, participating firms usually use informal approaches rather than structured hedging or insurance products. In addition, the researcher believes that the size of the firm affects the perception of certain risk factors and the level of complexity of risk management (Hain, 2011).

Research Methodology

A qualitative research method that engages the technique of literature review was used in this research. The choice of a qualitative method depends on its ability to give an idea of the problems and draw conclusions on a large scale. This helps identify trends in thinking and opinions, and also provides depth and detail that focuses on how people make meaning from their experiences (Stuckey, 2013). The search process examined a number of peer-reviewed scientific journals relevant to this study. This was done to develop the theoretical framework on which the research foundations were based.

Findings/results

The financial risk management process is not a one-time thing. It should be a continuous process that should not be taken for granted, as financial risks can arise from all sides and at any time. Before starting the financial risk management process, there should be a clear understanding of the goals and objectives of the organization since they will determine the direction of all activities.

The first step is to identify and prioritize financial risks that relate to the business. What follows is determination of the processes that help the company conduct a detailed assessment and analysis of the specific risks it faces: Companies have several ways to identify and evaluate risks. Some of these processes are:

Quantitative risk management. This is the detection, assessment, and monitoring of financial risks in the financial operations of a business using mathematical calculations or estimates. Typically, these calculations relate to income received by the company from sales, investments, and the like. Calculations are also used on historical financial data for forecasting purposes.

Risk assessment and control. This includes considering the company’s internal control when it comes to all its financial transactions. As a rule, a weak internal control system will indicate high financial risks. For example, the absence of a reliable system for monitoring and selling sales and collection fees will increase the risk that payments on receivables by customers will not be properly recorded and money will be misappropriated into the hands of employees collecting money.

Audit of financial risks. This is a process that entrepreneurs take to evaluate that a company has proper internal controls and policies, especially in the accounting and reporting system. It will also reveal weaknesses in how transactions are recorded and accounted for.

After identifying the specific financial risks that are applicable in the case of a business, it is necessary to prioritize or rank them according to the severity of the risks and their potential consequences. Typically, the risk that poses a greater threat is the risk that can lead to higher financial losses (and even bankruptcy).

The second step is the determination of the level of risk tolerance in the organization: If managers and employees suffer from financial risks, their every move, every decision and every action will be guarded and permeated by a lack of trust. One of the worst things that can happen is that they will always choose the safest route, “play safe” in their business decisions and miss out on promising opportunities, fearing that using them will pose too much risk for the company. Thus, there must be a predetermined level of risk exposure that the company is willing to accept or tolerate. Setting this level will give them the opportunity to move, so they can focus on creating value, knowing that they are still working within
acceptable limits in terms of risk.

**Factors to consider when setting a financial risk threshold are:**

The period or time horizon during which financial risk is expected. A company may find that the risk is higher if it cannot receive receivables over a three-year period than when customers cannot make payments within one year.

Materiality. A cost-benefit analysis may show that certain costs exceed the benefits derived from it. As a rule, higher costs are considered more substantial and therefore riskier. The company can set a certain ceiling or maximum amount for its materiality level, that is, if losses exceed this level, then it is significant and, of course, represents a high risk.

The volatility of the economic and financial environment. Companies that are in an industry with a volatile nature, such as the banking industry or industries subject to frequent fluctuations in cost and interest, can set lower thresholds for financial risk.

Confidence levels of managers. This is largely personal, on the part of management members. Some managers are “braver” than others, so they are more risk tolerant, while enterprises run mainly by conservative managers should be more careful.

There are several measures of financial risk (or calculation methods) to obtain a risk metric (quantitative result). Examples of risk metrics:

- Standard deviation of company investment returns for measuring volatility
- Estimated losses due to the default of the debtor on his payments to assess credit risk
- Financial liquidity ratios, such as current ratio, quick ratio, cash ratio and asset turnover ratio, to measure company liquidity.

The third step is to formulate risk management strategies. Here, the business will identify risk mitigation strategies that it will adapt to manage the financial risks it faces. The choice of mitigation strategies largely depends on the particular risk that is being managed and the resources available to implement them. In short, let's take a look at some of the most commonly used risk mitigation strategies for financial transactions, especially for various financial risks.

Liquidity risk: The company would like to improve its liquidity by ensuring that it always has enough funds to pay off its debts when they mature, as well as other operating expenses. The following are strategies that can be adopted:

- Determining periods of slow and low cash inflows using various forecasting methods and planning cash budgets around them.
- Careful monitoring of cash inflows and outflows on a regular basis (for example, daily, weekly, bi-monthly, or monthly).
- Regular fulfillment of the maturities of receivables to track payments of debtor customers in order to identify overdue accounts and take the necessary measures to receive them.
- Sending messages or collecting reminders to customers about the amounts due; as well as maintaining strong relationships with financial institutions, banks, and other lenders, to which the business has obligations.

Credit risk: As much as a business would like to sell exclusively for cash, there are many who cannot do this, and they have no choice but to sell their products or services on credit. Problems can arise when customers are unable to pay, which leads to slow cash inflows and loss of income, when bad amounts should be written off as bad debts. Below are strategies that can be used:

- Conducting a thorough verification of data and checking the creditworthiness of customers before selling them on credit.
- Establishment and establishment of credit policies and conditions and their clear informing (in writing, signed by both parties) for clients before concluding a purchase and sale transaction.
- Maintaining strong and positive relationships with debtor customers to ensure that they are constantly informed.

The fourth step is the Implementation of the planned strategies.

Risk reduction strategies should be applied or implemented, but in accordance with a policy set in advance. Here plans and strategies are transformed or transformed into actions.
In the fifth step, we can measure and refine: Risk reduction strategies that need to be implemented should be closely monitored to track their progress and determine whether they are effective or not. This allows them to control risks, mainly by making the necessary adjustments in those areas where they are needed. This may be the adjustment of operations or systems or some other corrective action in relation to implemented strategies or methods. As mentioned earlier, financial risk management - and risk management in general - is an ongoing process. Therefore, it can be refined, as necessary. Monitoring should also be a continuous event, with no room for complacency.

In the sixth step, it is essential to report the results of the process. At each stage of the process, communication is especially important. Top management should be aware of the entire risk management process, especially because they would be the one to decide which risk reduction strategies to use and how to implement them. It is also strongly recommended that other members of the organization be informed of the company's risk management initiatives to strengthen their confidence in the company, as well as increase their morale and encourage them to work harder to achieve the organization's goals.

**Discussions and conclusion**

Financial risks will always be present, in business organizations. Management and owners can “manage” these risks - mitigate or minimize the negative consequences of risks for the company. They can also be avoided, however, but they will always be there, creating varying degrees of threats to the business. Consequently, one of the realities that managers of business must make is to recognize that there are risks and they can never do away with them, the prevailing economic situation either at country level or global level creates environment for certain types of risks to thrive in businesses especially with multinationals. Careful attention should be paid to these types of risks. In the case of Saudi Arabia, counter party risk and market risk are the most susceptible sources of risks for businesses. Risk is a critical variable for understanding entrepreneurial behavior and the cornerstone of any decision to run a business (Mills and Pawson, 2012).

The measures adopted by Ma’adem in their operation to mitigate risk in Saudi Arabia investment climate is good, especially for the use of two standing committees (Tactical Risk Committee and Operational Risk Committee), to monitor risk occurrence and also to fashion out appropriate responses. The report from the investigation of 49 German companies in Saudi Arabia placed high premium on cultural risks and also placed it as a priority over political and economic sources. The case study shows a loophole in risk management in Saudi Arabia as the approach is informal and there is also absence of critical risk factors. This study addressed all the challenges noticed in the case studies. The step by step approach to risk identification and the methodological analysis of how risk management can be approached as discussed in this study provides a valuable guide to risk management in Saudi Arabia and in other developing economies. In future research, a quantitative approach can be employed on the research topic so as to make scientific deductions from primary data, the lack of primary data in the study can be considered a limitation.

**References**


TOE Model: Adoption of Block Chain

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Keywords
Block chain Adaption; Supply chain management, Technology-Organization –Environment (TOE).

Abstract
Block chain has numerous benefits such as decentralization, persistency, anonymity, and auditability. Although a number of studies focus on using the block chain technology in various application aspects, there is not a specific previous study focus on the block chain technology in both technological context and business organizations through the supply chain flows. Therefore, this paper emphasizes how using the technological theories and block chain technologies through the supply chain will affect it as a whole; in addition to such adoption is very rare to be represented especially in developing countries as this part is fulfilled by our paper research. A number of 427 respondents were included in the questionnaire analysis which were collected from employees of supply chain and logistics companies. After conducting regression analysis and SEM, it was observed that reducing complexity and lowering supply chain investment costs associated with traditional supply chain transactions were some of the key drivers for block chain adoption, as well as a desire to benefit from enhanced compatibility and regulatory support. However, achieving security is considered as the main and most important driver

Introduction
Supply chain management has become an important aspect for the increasing demand of logistics companies after having that dynamic environment and globalization. New technologies can overcome the challenges imposed due to such globalization and increasing demand of logistics services. Block chain is one of the trending technologies nowadays that could heavily help overcoming the challenges that companies are facing, meanwhile, block chain adoption is not an easy issue specially in the developing countries. In addition, few researches had discussed block chain adoption especially from the quantitative vision of the technology rather than the qualitative opinion.

Therefore, this research comes to fill such gap in the literature and study block chain adoption and the factors affecting it. This research is divided into several sections, where the first one is represented in the current introduction for the research. The second section presents a review of the previous studies related to block chain adoption and the factors that could affect it. The third section presents the research methodology for the current research, while the fourth section displays the results and findings for the empirical study. Finally, a conclusion is derived for this research in the fifth section.

Literature Review
Block chain in its simplest form is a shared digital ledger which allows users in a peer-to-peer network to verify and store records. Block chain represents a new way to access and trust data communicated over the internet. Block chain transactions can include the exchange of data such as personal identification records, and assets such as ‘tokens’ and digital currency. Instead of keeping data centralized in a traditional ledger, these new digital systems use independent computers, often referred to as ‘nodes’, to record, synchronize and share individual transactions in their respective electronic ledgers.

The general idea behind supply chain management (SCM) is to manage the flow of goods, services, and information in an effective way in order to achieve high performance and decrease risks (Tan, 2001). There are billions of products being manufactured every day globally, through complex supply chains
that extend to all parts of the world. However, there is very little knowledge of how, when and where these products were originated, manufactured, and used through their life cycle. Day by day, supply chains are getting increasingly more complex, more extended, and more global. In general, the development and implementation of block chain solutions in supply chains are still at an early stage. Thus, there are many opportunities for companies in the future when the technology is further developed (Novinsky & Kozma, 2017).

Moreover, a theoretical insight is required to better understand the underlying motivators and barriers that will lead companies, or discourage them, from adopting block chain technologies for supply chain traceability. The development and use of Block chain technology may in time constitute the biggest change to this date in how one securely stores and share data. Therefore, adapting block chain technologies creates significant implications for corporations looking to meet the demands of the future. For instance, adopting a new way of storing your data requires a different skillset than what is already present in many companies, in terms of technological expertise (Alexandre Arnolado, 2018).

All in all, the results in this paper may give an indication as to whether developing countries corporations have adopted, or intend to adopt Block chain technology, and if so, what the most important drivers for adoption are. For those countries corporations it may be of importance to look at what factors affect the adoption of a new and disruptive technology, and as a result take action (Alexandre Arnolado, 2018). Therefore, this paper will commiserates how using the new theories and block chain technologies through the supply chain will effect it as a whole; in addition to Such adaptation very rare to be represented especially in developing countries as this part will be full filled by our paper research.

Relation between T-O-E Model and Block Chain Adoption

Uncertainty exists amongst IT leaders whether block chain might be an interesting technology to adopt for their organization. There are teams in large organizations, like banks and technology consultancy firms, devoted to discovering the potentials with this technology. Startups are also experimenting with the technology to find out what its use cases are. Hence the organization’s mangers decided to have access to this knowledge, select whether they should start innovating with block chain technology or not.

In order to explain technology adoption, two models for the adoption of technological innovation are combined: The Technology-Organization-Environment (TOE) framework (DePietro, Wiarda & Fleischer, 1990) and the Diffusion of Innovation (DOI) theory (Rogers, 1995). Where both these models have been used extensively to predict and explain adoption of several old other technologies, explore how to innovate but none of them try to choose for specific bossiness context to adopt Block chain technology yet.

Accordingly, this paper aims at filling this gap in the literature by making the first steps to defining a model tailored to the adoption of block chain technology. Moreover, in addition, this model adaptation can be used by bossiness organization mangers in various industries to review the arguments in favour and against the adoption of block chain technology in their organization. Therefore, this paper goal is to identify relevant theories for (TOE) Technology Organization Environment decide the significant importance of adopting block chain technology within their organization (Anders Tveita, 2018).

In view of that, the following new theories for the (TOE) model of block chain adoption were identified through iteratively coding data According to L’yan, 2017 as block chain experts:

**Regulatory Support: Compliance** refers to the level of conformance to the rules and regulations, in this case prescribed by the government.

**Security:** referring to high level of secure data that transmit through the entire chain. This reflects that such adaption will help and improve the business organizations performance.

For that reason, regulatory support and security considers to be very vital factors in adapting Block chain technologies. Promoting new business direction and visions will create massive changes in business ecosystems.

**Block chain Adoption and Supply Chain Management**

Supply chain is considered as one of the industries where block chain has the biggest potential to disrupt. Several Sectors use block chain in supply chain management keeps increasing as the industry
increasingly gains more awareness of the technology. Amongst other things, block chain can be used to improve contract management, improve supply chain and security, and create product attribution (Gammelgaard, 2019).

Block chain’s relative benefit in supply chains through the way supply chains are managed is arguably ineffective when it comes to facilitating information sharing and coordinating the operations among involved entities (Dobrovnik, 2016). The time that must be devoted to solving a problem or untangling a specific communicative discrepancy will likely increase as the network grows.

Therefore, the main benefits of block chain in supply chain management can be classified into two major categories being either first, operational efficiencies, or second improving trust and security (Alexandre Arnolado, 2018). A block chain is not necessarily the right tool for all supply chains as the applicability depends on the level of complexity of the supply chain and the value created from increased visibility over the supply chain (Dobrovnik, 2016). While a block chain could potentially solve a large amount of supply chain challenges, one must evaluate whether the effects of block chain through adapting its technologies with regard to supply chain security.

Hence, it is important for managers to thoroughly understand their supply chain structure before considering implementing a block chain technologies solution. According to previous studies in line behind implementing a block chain can provide significant improvements and benefits to their supply chain (Gammelgaard, 2019). Highlighting on adapting such technology is not that easy. based on the several supply chain operations and processes a main challenge raise up which is the complexity referring to uncertainty that the block chain technology creates about the uses of the technology for the organization. One can reason that this is a form of technology complexity, because uncertainty leads to a lack of understanding, which leads to a more complex perception of the block chain technology (Anders Tveita, 2018).

Therefore, this paper will empathizes how using the new theories and block chain technologies through the supply chain will effect it as a whole; in addition to Such adaptation is very rare to be represented especially in developing countries as this part will be full filled by our paper research. Reducing complexity and lowering supply chain investment costs associated with traditional supply chain transactions were some of the key drivers for block chain adoption, as well as a desire to benefit from enhanced security, efficiency, and transparency.

Research Methodology

In order to test the research hypotheses that under this study, the research methodology adopted is based on several issues as illustrated below:

Unit of Analysis: It is the step of gathering of the data collected for the purpose of the data analysis process. It is represented in employees of supply chain and logistics companies.

Population and Sample: The target population for this research is considered as the total number of employees of supply chain and logistics companies. Since obtaining data about all members of a population is not available and very difficult (Fowler, 2013), the sampling frame for this research could not be identified and accordingly a probability sampling is not obtained. Therefore, a convenient sampling technique was used as respondents were selected from supply chain and logistics companies who accepted to respond to the questionnaire. A total number of 427 were considered in the study after excluding questionnaire with missing responses. An almost equal number of respondents were collected from each company.

Data Collection: The data collection process is handled through the development of a questionnaire that allows for the measurement of how using the technological theories and block chain technologies through the supply chain will affect it as a whole. The adoption of this data collection method was due to the need to measure the focal constructs of the model, as well as the extensive use of survey methodology in previous studies. The questionnaire is shown in the Table 1, where a total number of 18 statements were defined for the research variables. The questionnaire was adopted from the studies of Gutierrez et al. (2015), Amini (2014), and Wangui (2018).

Research Framework and Hypotheses: The proposed framework was introduced in Figure 1, where it could be observed that Security, Regulatory Support, Competitive Pressure, Compatibility, and Complexity were considered as the independent variables, while, is Adoption of Block chain is considered
as the dependent variable.

![Research Framework Diagram]

Figure 4: Research Framework

Accordingly, the research hypotheses could be formulated as follows:

- \( H_1 \): There is a significant impact of Complexity on Adoption of Block chain
- \( H_2 \): There is a significant impact of Compatibility on Adoption of Block chain
- \( H_3 \): There is a significant impact of Competitive Pressure on Adoption of Block chain
- \( H_4 \): There is a significant impact of Security on Adoption of Block chain
- \( H_5 \): There is a significant impact of Regulatory Support on Adoption of Block chain

Research Variables Measurement: the research variables are represented in Table 1 with their measurement scale, where the dependent variable is the Adoption of Block chain. Also, the independent variables are Security, Regulatory Support, Competitive Pressure, Compatibility, and Complexity.

<table>
<thead>
<tr>
<th>Research Variables</th>
<th>Measurement Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complexity (Gutierrez et al., 2015)</td>
<td>Block chain services are easy to integrate with existing processes</td>
</tr>
<tr>
<td></td>
<td>Confidence levels in block chain influence adoption decision</td>
</tr>
<tr>
<td></td>
<td>Block chain is easy to use and manageable</td>
</tr>
<tr>
<td>Compatibility (Amini, 2014)</td>
<td>The use of block chain fits the work style of the company</td>
</tr>
<tr>
<td></td>
<td>The use of block chain is fully compatible with current business operations</td>
</tr>
<tr>
<td></td>
<td>The use of block chain will be compatible with existing hardware and software in the company</td>
</tr>
<tr>
<td>Competitive pressure (Amini, 2014)</td>
<td>Firms think that block chain has an influence on competition in their industry</td>
</tr>
<tr>
<td></td>
<td>Some of our competitors have already started using block chain</td>
</tr>
<tr>
<td></td>
<td>Block chain would allow generation of higher profits</td>
</tr>
<tr>
<td>Security (Amini, 2014)</td>
<td>Degree of company’s concern with data security on the block chain</td>
</tr>
<tr>
<td></td>
<td>Degree of concern for customers with data security in block chain</td>
</tr>
<tr>
<td></td>
<td>Degree of concern about privacy in block chain</td>
</tr>
<tr>
<td>Regulatory Support (Amini, 2014)</td>
<td>The laws that exist nowadays are sufficient to protect the use of block chain</td>
</tr>
<tr>
<td></td>
<td>The regulations that exist nowadays are sufficient to protect the use of block chain.</td>
</tr>
<tr>
<td></td>
<td>There is legal protection in the use of block chain</td>
</tr>
<tr>
<td>Adoption of Block chain (Wangui, 2018)</td>
<td>To what extent are you familiar with block chain adoptions in supply chain management?</td>
</tr>
<tr>
<td></td>
<td>To what extent have you considered block chain applications in supply chain management in your organization?</td>
</tr>
<tr>
<td></td>
<td>To what extent are you likely to adopt block chain applications in supply chain management within the next 2 years?</td>
</tr>
</tbody>
</table>

The following section will investigate the research hypotheses proposed above using correlation
Results and Findings

Data Testing

Table 1 shows the Validity and Reliability analysis. It could be observed that the values of KMO, AVE, Cronbach's Alpha, and Factor Loading are within the acceptance level.

Table 3: Validity and Reliability Analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>KMO</th>
<th>AVE</th>
<th>Cronbach's Alpha</th>
<th>Items</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security</td>
<td>.736</td>
<td>81.499%</td>
<td>.885</td>
<td>S1</td>
<td>.775</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>S2</td>
<td>.821</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>S3</td>
<td>.849</td>
</tr>
<tr>
<td>Regulatory Support</td>
<td>.713</td>
<td>73.637%</td>
<td>.820</td>
<td>RS1</td>
<td>.695</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>RS2</td>
<td>.749</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>RS3</td>
<td>.765</td>
</tr>
<tr>
<td>Competitive Pressure</td>
<td>.717</td>
<td>81.077%</td>
<td>.883</td>
<td>CP1</td>
<td>.763</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>CP2</td>
<td>.867</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>CP3</td>
<td>.803</td>
</tr>
<tr>
<td>Compatibility</td>
<td>.710</td>
<td>73.024%</td>
<td>.815</td>
<td>Cm1</td>
<td>.770</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Cm2</td>
<td>.709</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Cm3</td>
<td>.712</td>
</tr>
<tr>
<td>Complexity</td>
<td>.734</td>
<td>78.028%</td>
<td>.859</td>
<td>Cx1</td>
<td>.781</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Cx2</td>
<td>.797</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Cx3</td>
<td>.763</td>
</tr>
<tr>
<td>Adoption</td>
<td>.727</td>
<td>79.678%</td>
<td>.872</td>
<td>Ad1</td>
<td>.743</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Ad2</td>
<td>.833</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Ad3</td>
<td>.814</td>
</tr>
</tbody>
</table>

Table 2 shows the discriminant validity of the research variables, where it could be observed that all square root values of AVE are greater than the correlations between the corresponding construct and other constructs. This means that the research variables have adequate discriminant validity.

Table 4: Discriminant Validity of the Research Variables

<table>
<thead>
<tr>
<th></th>
<th>1.</th>
<th>2.</th>
<th>3.</th>
<th>4.</th>
<th>5.</th>
<th>6.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security</td>
<td>(0.903)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>427</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory Support</td>
<td>.173**</td>
<td>(0.858)</td>
<td>.000</td>
<td>427</td>
<td>427</td>
<td>427</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive Pressure</td>
<td>.469**</td>
<td>381**</td>
<td>(0.900)</td>
<td>.000</td>
<td>427</td>
<td>427</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compatibility</td>
<td>.184**</td>
<td>245**</td>
<td>336**</td>
<td>(0.855)</td>
<td>.000</td>
<td>427</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complexity</td>
<td>.371**</td>
<td>283**</td>
<td>.534**</td>
<td>303**</td>
<td>(0.883)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adoption</td>
<td>.501**</td>
<td>431**</td>
<td>.543**</td>
<td>.393**</td>
<td>.443**</td>
<td>(0.893)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>427</td>
<td>427</td>
<td>427</td>
<td>427</td>
<td>427</td>
<td>427</td>
</tr>
</tbody>
</table>

Descriptive Analysis

Table 3 shows the Mean and Standard Deviation for Research variables. It could be observed that the mean and the frequencies of most responses are in the agreement zone, as the mean values for the research variables: Security, Regulatory Support, Competitive Pressure, Compatibility, Complexity, and...
Adoption are 3.8150, 3.8970, 3.8806, 4.0749, 3.9789, and 3.9766.

Table 5: Descriptive Analysis for the Research Variables

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>427</td>
<td>3.8150</td>
<td>.66499</td>
<td>0 0 141 224 62</td>
</tr>
<tr>
<td>Security</td>
<td></td>
<td>3.8970</td>
<td>.56806</td>
<td>0 0 93 285 49</td>
</tr>
<tr>
<td>Regulatory Support</td>
<td></td>
<td>3.8806</td>
<td>.63709</td>
<td>0 0 115 248 64</td>
</tr>
<tr>
<td>Competitive Pressure</td>
<td></td>
<td>4.0749</td>
<td>.61209</td>
<td>0 0 65 265 97</td>
</tr>
<tr>
<td>Compatibility</td>
<td></td>
<td>3.9789</td>
<td>.71669</td>
<td>0 0 114 208 105</td>
</tr>
<tr>
<td>Adoption</td>
<td></td>
<td>3.9766</td>
<td>.67094</td>
<td>0 0 101 235 91</td>
</tr>
</tbody>
</table>

Testing the Research Hypotheses

Table 4 shows the regression model fitted for the effect of Independent Variables, Security, Regulatory Support, Competitive Pressure, Compatibility, and Complexity on Adoption. It could be noted that there is a significant positive effect of the Independent Variables on Adoption as the regression coefficients are 0.297, 0.271, 0.209, 0.201, and 0.101 respectively and P-values are less than 0.000. Moreover, the R square is 0.473 which means 47.3% of the variation of the Adoption can be explained by the independent variables together. The research variables importance with respect to Adoption could be ranked as follows: firstly, Security with a Standardized Coefficients of 0.294, secondly, Regulatory Support with a Standardized Coefficients of 0.229, thirdly, Competitive Pressure with a Standardized Coefficients of 0.198, fourthly, Compatibility with a Standardized Coefficients of 0.183, fifthly, Complexity with a Standardized Coefficients of 0.108.

Table 6: Regression Model of Independent Variables on Adoption

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>- .241</td>
<td>-.227</td>
<td>-1.060</td>
<td>.290</td>
<td>473</td>
</tr>
<tr>
<td>Security</td>
<td>.297</td>
<td>.041</td>
<td>.294</td>
<td>7.254</td>
<td>.000</td>
</tr>
<tr>
<td>Regulatory Support</td>
<td>.271</td>
<td>.046</td>
<td>.229</td>
<td>5.911</td>
<td>.000</td>
</tr>
<tr>
<td>Competitive Pressure</td>
<td>.209</td>
<td>.049</td>
<td>.198</td>
<td>4.221</td>
<td>.000</td>
</tr>
<tr>
<td>Compatibility</td>
<td>.201</td>
<td>.042</td>
<td>.183</td>
<td>4.789</td>
<td>.000</td>
</tr>
<tr>
<td>Complexity</td>
<td>.101</td>
<td>.040</td>
<td>.108</td>
<td>2.500</td>
<td>.013</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Adoption

Table 5 shows the SEM analysis of the effect of Independent Variables, Security, Regulatory Support, Competitive Pressure, Compatibility, and Complexity on Adoption. It could be observed that there is a significant positive effect of the Independent Variables on Adoption as the regression Estimates are 0.204, 0.249, 0.189, 0.198, and 0.130 respectively and P-values are less than 0.000. Moreover, the R square is 0.523 which means 52.3% of the variation of the Adoption can be explained by the independent variables together.

Table 7: SEM Analysis of the Effect of Independent Variables on Adoption

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>P</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption</td>
<td>Security</td>
<td>.204</td>
<td>***</td>
</tr>
<tr>
<td>Adoption</td>
<td>Regulatory Support</td>
<td>.249</td>
<td>***</td>
</tr>
<tr>
<td>Adoption</td>
<td>Competitive Pressure</td>
<td>.189</td>
<td>***</td>
</tr>
<tr>
<td>Adoption</td>
<td>Compatibility</td>
<td>.198</td>
<td>***</td>
</tr>
<tr>
<td>Adoption</td>
<td>Complexity</td>
<td>.130</td>
<td>.006</td>
</tr>
</tbody>
</table>

The model fit indices are presented in Table 8 which could be observed that are all within their acceptable levels. The SEM model conducted for the effect of Independent Variables on Adoption is illustrated in Figure 1.

Table 8: The Model Fit Indices
Conclusion

This research provides an insight to understand the significant dimensions of block chain adoption, where the dimensions of security, regulatory support, competitive pressure, compatibility, and complexity are found to have a significant effect on block chain adoption. It was observed that Security comes as the most important factor for block chain adoption, as the corresponding standardized coefficient is the highest (0.294). The second important factor for block chain adoption is regulatory support, with a standardized coefficient of 0.229. The third one is the competitive pressure, with a standardized coefficient of 0.198.

It should also be noticed that all the dimensions under study were found to have a significant effect on block chain adoption, indicating that all the research variables are considered important for the block chain adoption.

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Motives and barriers of Airbnb users: 
Findings from mixed-methods approach

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Prof Mohamed A. Ragheb  
Passent Ibrahim Tantawi  
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Alexandria, Egypt

Keywords  
Airbnb, barriers, disruptive innovation, motives, sharing economy.

Abstract

**Purpose:** This study aims to investigate motives and barriers for Egyptian users to use Airbnb “as a platform of peer-to-peer accommodation instead of hotels” and how it affects the overall attitude towards Airbnb, behavioral intentions and actual usage of Airbnb.

**Design/Methodology:** A sequential mixed methods approach was adopted in this study and a comprehensive research model was adapted from both literature and results of qualitative phase and then tested via an online questionnaire.

**Results/Findings:** The findings revealed that motives: price, home benefits, privacy, and online reviews significantly explained the overall attitude towards Airbnb. In addition, the main barriers found were perceived risk and distrust, which can predict the overall attitude. Furthermore, from subjective norms, only social influence can predict behavioral intention to use Airbnb.

**Theoretical and practical implications:** This study contributes theoretically to the current literature by providing meaningful insights into the main motives of choosing Airbnb as accommodation other than traditional accommodations like hotels. Moreover, it deepens understanding regarding the barriers of not using Airbnb. The findings include several practical implications for industry. Hence, this study’s conceptual effort provided a ‘big’ picture of how Airbnb consumers arrive at choosing (or not choosing) Airbnb for their trip. Additionally, the analytic effort of this study provided a holistic evaluation of the role of each motive and barrier. One critical question in this case is whether marketers should allocate an equal amount of resources to each variable or not. By assessing the importance of each variable, the researcher attempted to clarify the comparative importance of each variable in predicting purchase intentions and decision to use Airbnb.

**Originality/value:** This study fills the gap between the motives and barriers of Airbnb and their effect on overall attitude, behavioral intention and actual usage. Most previous studies focused only on the effect of motives and barriers on behavioral intentions without taking into consideration the actual usage. Similarly, previous studies focused on western contexts. However, this study focuses on one of the developing countries in the Middle East, Egypt, which has many travellers who are already using Airbnb. This study is considered one of the pioneer studies in this topic.

Introduction

During the past few years, a huge number of tourists chose not to stay in traditional forms of tourism accommodation, such as hotels. Instead, they preferred to stay in strangers’ accommodations, which they found online via Airbnb. The idea of locals renting their houses informally to tourists had existed for centuries. However, new mobile and internet technologies have transformed this practice and allowed it to scale completely by facilitating virtual markets between hosts and guests where communication and trust are established (Guttentag, 2015). The rise of sharing economy affects the tourism and hospitality industry significantly (Zhu et al., 2017). Specifically, peer-to-peer business platforms such as Airbnb, which is considered a disruptive innovation that enables consumers to participate in collaborative consumption, where they can jointly share the underutilized assets such as rooms and cars (Botsman & Rogers, 2010; Zervas et al., 2014).

Collaborative consumption is “a peer-to-peer-based activity of getting, giving, or sharing the
access to certain products and services, organized through community-based online services (Hamari et al., 2016, p. 3). Airbnb is considered one of the most known examples of such consumption model; it provides an alternative way of renting short-term accommodations that vary from private rooms, entire homes to shared rooms (Zervas et al., 2014). When Airbnb was established in 2008, most people were uncertain about the idea of a business that based on tourists who pay in order to stay with strangers. In comparison with traditional accommodations, Airbnb residences show many clear weaknesses; the most obvious one is that guests have to trust a stranger, who is generally unlicensed. This stranger has to guarantee them the cleanliness, security, and quality of the place where they will sleep, instead of simply depending on a well-established accommodation with a well-known global brand.

As a result of the popularity of Airbnb, many researchers started to study the factors that may encourage or discourage users from choosing Airbnb (e.g. Guttentag, 2015, Guttentag, 2016; Tussyadiah 2015). A few numbers of academic researchers have started the process of exploring this question. Lamb (2011) used qualitative methods to investigate the motivations of CouchSurfing and Airbnb users. Guttentag (2015) introduced a conceptual review of Airbnb and its assumed key attractions from the perspective of disruptive innovation. Tussyadiah (2015) and Tussyaiah and Pesonen (2015) surveyed users of peer to peer short-term rentals (PSR) on their motives for using PSRs. They added analyses in the collaborative consumption literature. In addition, research of some (non-academic) researchers has also begun to explore why tourists choose Airbnb. Moreover, the tourism research company, Phocuswright, investigated the reasons beyond using PSRs by some users (Hennessey, 2014; Quinby & Gasdia, 2014). Research arm of Morgan Stanley, a financial services company, conducted a consumer survey to investigate motivations for using Airbnb. This research was part of an investigation of the potential impacts of Airbnb on online travel agencies and hotels (Nowak et al., 2015). These studies highlight different reasons why tourists choose Airbnb, such as its low price and perceived authenticity, thereby providing some valuable initial insights into this line of inquiry.

Furthermore, past research on the sharing economy showed that the consumers' perceived value is a significant factor in determining their attitude and intention towards the innovation (Zhu et al., 2018). However, further studies found that there are other factors that can also motivate people to use peer-to-peer accommodations. Other motives might be social benefits (Tussyadiah, 2016) and social interactions (Guttentag et al., 2017). This study aims to investigate the motives and barriers for Egyptian users to use Airbnb as a platform of peer-to-peer accommodation instead of other traditional accommodations such as hotels, the effect of those motives and barriers on the overall attitude towards Airbnb and how it affect the decision to use Airbnb.

**Literature Review & Hypothesis Development**

**2.1 Motives of using Airbnb**

**2.1.1 Price**

So et al. (2018) revealed that price is influential in determining how consumers perceived Airbnb as an alternative accommodation. Inspired from a previous study, Gong and Zheng (2018) found that price value has a significant influence on Chinese consumer's decision to use Airbnb. Moreover, Guttentag (2016) discovered that the low cost of Airbnb accommodations, in comparison to the cost of traditional accommodation, was the highest motive for using Airbnb. Furthermore, Rimer (2017) found that price is one of the most strongly agreed upon motivations for choosing Airbnb rather than other different forms of accommodations such as hotels.

**2.1.2 Home benefits**

Home benefits represent functional attributes of a home - ‘household amenities,’ ‘homely feel,’ and ‘large space” (Guttentag, 2016). Airbnb accommodations provide many benefits similar to those coming from a home environment. Some tourists may prefer the feeling of being at home while staying in a hotel as they can access practical residential amenities such as a full kitchen, a washing machine, and a dryer (Guttentag, 2015). In So et al. (2018) study of motivations and constraints of Airbnb users, home benefits were influential in determining how consumers perceived Airbnb as an alternative accommodation. Unlike another study that was investigating the motivations and constraints of Chinese users, Gong and Zheng (2018) found that home benefits are insignificant in determining the users' decision to use Airbnb.
Similarly, in an earlier study conducted to explore the motives and barriers to choose Airbnb, Guttentag (2015) concluded that the access to household amenities was considered the next most strongly agreed upon motive, he also found that the desire of users to feel at home and have a spacious house was very strong too. These findings are consistent with the findings of Phocuswright (Quinby & Gasdia, 2014) and Morgan Stanley’s studies (Nowak et al., 2015).

2.1.3 Authenticity
A number of past hospitality studies have highlighted the importance of authenticity as a motive for Airbnb users including Guttentag (2015) where he concluded that users have a strong desire to have authentic local experience but the importance of this factor was found to be lower than the importance of lower prices, household facilities and location convenience. However, when So et al. (2018) studied the effect of authenticity in the same model with other motives such as price and home benefits, he found that the effect of authenticity on both overall attitude towards Airbnb and behavioural intention seemed to be insignificant.

2.1.4 Novelty
Novelty is defined as travellers’ personal feelings acquired from using non-standardized, individually tailored tourist goods and services. This is conceptually similar to what Mao and Lyu (2017) called unique experience. Guttentag (2016) concluded that travellers are encouraged to choose Airbnb by some degree of novelty-seeking. This finding was interesting to note because past tourism literature considered novelty-seeking from the perspective of destination choice instead of the accommodation choice.

Ethos of sharing economy
There are three key values of sharing economy, which Airbnb supports. These values are sustainability, local consumption, and trust between strangers (Botsman & Rogers, 2010; Chase, 2015; Gansky, 2010; Pricewater house Cooper, 2015). Guttentag (2016) conducted a study to investigate the motives of using Airbnb and the ethos of sharing economy. He found that agreement with the three sharing economy items was quite neutral. Respondents showed minimal agreement concerning choosing Airbnb for its philosophy or because the money they spend goes directly to locals. They disagreed, on average, that they chose Airbnb because it is environmentally friendly. These findings are fairly consistent with Tussyadiah’s (2015) research on PSRs, which also found that respondents’ agreement level of sustainability factor was barely above neutral. It is also consistent with Kasim’s (2004) finding, which stated that even tourists who pay attention to the issues of sustainability do not agree to pay more for an accommodation just to support those issues.

2.1.6 Social Interaction
When Stors and Kagermeier (2011) carried out a study to explore the motivations and expectations of Airbnb guests, they found that social interaction between hosts and guests can be assumed to be the “authentic” experience that certain travellers look for. Furthermore, in the study made by Tussyadiah and Pesonen (2016) who took their sample from American and Finnish travellers, they concluded that, among Finnish travellers, older consumers seek social appeal greatly when considering Airbnb. However, Gong and Zheng (2018) found that social interactions are insignificant in determining the motives and barriers for using Airbnb for Chinese users. This result was consistent with that of So et al. (2018), which also found that the relative importance of social interaction appeared to be negligible.

2.1.7 Online reviews
Online reviews became a standard attribute for many consumer-facing online services as it provides potential customers with useful information about products and services (Engler et al., 2015). From the consumers’ perspective, the travel experience entails three phases: anticipation, experience, and reflection. Based on these three phases, travellers gather information, make travel decisions, and manage their travel plans (Bae et al., 2017). Moreover, Goldsmith and Horowitz (2006) pointed out that consumers frequently seek out the opinions of other consumers online to reduce the risk of expectation failure (Kirmani and Rao, 2000). In recent years, online reviews have become a critical concern in the hospitality industry with key factors including review quality, quantity, and consistency (Xie et al., 2016).
Based on the above discussion, the researcher formulated the first main hypotheses and its sub-hypotheses as follows:

**The following research hypotheses will be tested:**

**H1: Motives that positively affect the individual’s overall attitude towards Airbnb.**
- H1.1: Price affects the individual’s overall attitude towards Airbnb positively.
- H1.2: Home benefits affect the overall attitude towards Airbnb positively.
- H1.3: Authenticity affects the overall attitude towards Airbnb positively.
- H1.4: Novelty affects the overall attitude towards Airbnb positively.
- H1.5: The ethos of sharing economy affects individuals’ overall attitude towards Airbnb positively.
- H1.6: Social interactions affect individuals’ overall attitude towards Airbnb positively.
- H1.7: Online reviews affect individuals’ overall attitude towards Airbnb positively.
- H1.8: Privacy affects individuals’ overall attitude towards Airbnb positively.

2.2 Barriers of using Airbnb

2.2.1 Perceived risk

Perceived risk is defined as uncertainty felt regarding possible negative consequences of consuming a product or service (Featherman & Pavlou, 2003). Mao and Lyu (2017) defined perceived risk accompanied with Airbnb as a subjective expectation of a potential loss when searching for a required result. So et al. (2018) found that perceived risk had no significant relationship, in a relative sense, to attitude or behavioral intentions. Moreover, Gong and Zheng (2018) concluded that perceived risk is insignificant in choosing Airbnb. However, some previous studies supported the negative effect of perceived risk on attitude (Mao & Lyu, 2017) and repurchase intention (Liang, 2015).

2.2.2 Distrust

Trust in the context of Airbnb means accepting a position of vulnerability and trusting that the exchange partner will fulfil his or her part (Satama, 2014). Olson (2013) found that consumers’ perceived fears about participating in the sharing economy were the main barrier to participate in collaborative consumption. Furthermore, so et al. (2018) found that distrust appeared one of the most important obstacles that negatively affects the consumers’ overall attitude towards Airbnb. Tussyadiah and Pesonen (2016) were in line with this result. Moreover, Sthapit and Björk (2019) investigated 213 negative reviews of Airbnb users and they concluded two major themes that reflect the sources of distrust: Airbnb's poor customer service and the hosts' unpleasant behaviour.

2.2.3 Insecurity

So et al. (2018) investigated the effect of insecurity on users’ intentions when deciding to use Airbnb and they concluded that consumers’ perceived insecurity of Airbnb accommodation undermined purchase-related responses. After Lyu et al. (2019) interviewed 34 users of Airbnb, he found that peer-to-peer (P2P) users are more concerned about the safety issues, especially that the operators of P2P accommodation have shifted from business entities to ordinary individuals. Based on the above discussion, the researcher formulated the second main hypothesis and its sub-hypotheses as follows:

**H2: Barriers negatively affecting the individuals’ overall attitude towards Airbnb.**
- H2.1: Perceived risk affects individuals’ overall attitude towards Airbnb negatively.
- H2.2: Distrust affects individuals’ overall attitude towards Airbnb negatively.
- H2.3: Insecurity affects individuals’ overall attitude towards Airbnb negatively.

The literature also mentioned two additional theoretical concepts, which are relevant to the same concept. They were two factors of subjective norms found to affect the adoption of Airbnb: social influence and trend affinity. Social influence represents the extent to which the consumer's close community, such as friends and family, believe he or she should use a certain product or innovation (Venkatesh et al., 2012). Similarly, given that the sharing economy or collaborative consumption model is emerging as a new trend, which changes consumers' planning and actual travel behaviour (Tussyadiah & Pesonen, 2016b). Another important form of subjective norms is trend affinity. Trend affinity occurs when the consumer wishes to follow such a trend or seeks to use innovative and fashionable products and services such as Airbnb (Möhllmann, 2015). Additionally, sustainability, which reflects the belief that
collaborative consumption may reduce the development of new products and the use of raw materials, as well as support the local community and economy, could also affect the consumer's decision to choose Airbnb (Tussyadiah & Pesonen, 2016a). Related to sustainability is the ethos of sharing economy, which represents the line of thought of money spent to locals, environmental friendliness and the philosophy of Airbnb that supports the community’s wellbeing (Guttentag et al., 2017). Mao and Lyu (2017) also found the significance of word-of-mouth communications on consumer attitude toward Airbnb.

Based on the above discussion, the researcher formulated the third, fourth and fifth main hypothesis and its sub-hypotheses as following:

**H3:** Overall attitude towards Airbnb affects the behavioral intention to use Airbnb.

**H4:** Subjective norms affect overall attitude towards Airbnb positively.
   - H4.1: Trend affinity affects overall attitude towards Airbnb positively.
   - H4.2: Social influence affects overall attitude towards Airbnb positively.

**H5:** Subjective norms affect behavioral intentions to use Airbnb positively.
   - H5.1: Trend affinity affects behavioral intentions to use Airbnb positively.
   - H5.2: Social influence affects behavioral intentions to use Airbnb positively.

**H6:** Behavioural intentions to use Airbnb affect actual usage of Airbnb.

### 3. Research Methodology
#### 3.1. Introduction
The concept of sharing economy is relatively new, and Airbnb existed only since 2008. This created a gap in the literature related to this topic and there is a need to explore the motives and barriers for Egyptian users to use Airbnb. Since there are few studies carried out in Egypt, this study may enhance the literature in this topic, and it will try to answer many important questions. The research questions of this thesis will be answered by conducting an empirical study. The empirical study involves a survey based on a combination of qualitative and quantitative methods. The qualitative method (phase 1) consists of semi-structured interviews with some Airbnb users and the quantitative method (phase 2) consists of an online questionnaire.

#### 3.2. Qualitative study
To address the scarcity and fragmented nature of current research on sharing economy and Airbnb, the researcher used sequential mixed-methods design to gain an in-depth understanding of the motives and barriers for Egyptian users to use Airbnb as a platform of peer-to-peer accommodation instead of hotels and to quantify the extent to which related attitudes or behaviours occur (Coulter et al., 2003; McDonald, 2011).

Overall, the lack of empirical, in-depth research into the facets of Airbnb, as there are very few studies made in Egypt, necessitates an interpretative, discovery-oriented approach to capture deep insights into the motives and barriers for Egyptian users.

The researcher conducted semi-structured interviews with open-ended questions with some users of Airbnb. The main objective of these interviews was to investigate the main motives of choosing Airbnb in their trips and the main barriers that might prevent them from using it. There were different communication means of conducting interviews such as face-to-face, mobile calls and WhatsApp. Interviews (phase 1) were conducted with a total purposive sample of 8 users and all were digitally recorded, upon the respondent's consent. The average time of each interview ranged from 20 – 40 minutes.

#### 3.3. Survey instrument and sample
The primary purpose of quantitative method (Study Phase 2) was to construct and validate a survey questionnaire reflecting the qualitative results from Study Phase 1 that could be used to explore the motives and barriers to use Airbnb for Egyptian users. Moreover, the modified research model was investigated with a convenience sample (i.e. 435) of the second phase of this study. An online survey was conducted, and the sample was formed from some Facebook travelling experience groups, which contained Egyptian members. The admins sent members invitations to answer the questionnaire. For the Exploratory Sequential Design, according to Creswell (2014), Study Phase 2 needed to use a different
sample, but from among the same population as Study Phase 1. The survey period started on 15th November until 31st December 2019. A total of 435 of completed and valid responses were collected.

The questionnaire was mainly divided into three sections; the first section consisted of one screening question, which asked the participants if they have used Airbnb before. The objective of this question is to guarantee that the respondents are users only. The second section included demographic questions like age, income, and education level. It also included three questions about the last trip, which were: the main purpose of it, the type of the accommodation used and the overall level of satisfaction of this experience. The third section of the questionnaire contained a group of questions that measure each of the research variables based on the scales used in the literature from the previous studies. All of those questions are 5-point Likert scale questions ranging from 1 as strongly disagree to 5 as strongly agree.

3.3.1. Variables measurement

To measure the motives and barriers of using Airbnb, 58 questions were posed to respondents. These questions are related to 10 different motives: price, home benefits, privacy, authenticity, novelty, ethos of sharing economy, social interactions, online reviews, social influence, and trend affinity. Furthermore, they include questions of the three different barriers, which are perceived risk, distrust, and insecurity. Moreover, they include questions that measure two mediators, which are overall attitude towards Airbnb, behavioral intention towards Airbnb and actual usage as one dependent variable.

3.3.2. Measurement instrument

The literature suggested validated scales for use in this study, ensuring initial reliability and validity of our measurement. Specifically, four items originating from Sweeney and Soutar (2001) were adapted from Walsh et al. (2014) to measure price value. While four items from Guttentag et al. (2017) measured authenticity, four items from Guttentag (2016) captured novelty and three items from (Stors and Kagermeier, 2015) and Tussyadiah (2015, pp. 817-830) measured social interactions. Three items following Guttentag (2016) measured home benefits while four items following Möhlmann (2015) and Moeller and Wittkowski (2010) measured trend affinity.

Four items borrowed from Nysveen et al., (2005), Moore and Benbasat (1991), and Venkatesh et al. (2012) gauged social influence. Three items adapted from Tussyadiah’s (2015) were used to measure ethos of sharing economy. Moreover, three measures used for online reviews which were adapted from Chen and Chang (2018).

Moreover, privacy was measured by three questions adapted from (Zhang et al., 2019). Four items based on Featherman and Pavlou (2003) measured perceived risk. While insecurity was measured using a scale from Yang, Jun, and Peterson (2004), two items measuring distrust were adapted from Tussyadiah and Pesonen (2016a). Three items adapted from Francis et al. (2004) and Li et al. (2018b) measured behavioral intentions. Overall attitude was measured using the scale from MacKenzie, Lutz, and Belch (1986). In addition, actual usage was measured using four questions adapted from Al-Qeisi and Hegazy (2015). All questions were backtranslated into Arabic before distributing among users.

3.3.4. Data analysis

Using content analysis, the data obtained from the eight interviewees were analyzed to extract the word frequency table, word cloud and tree mapping using Nvivo program for qualitative analysis. Before empirically testing the proposed framework in Study Phase 2, the researcher conducted Exploratory Factor Analysis (EFA) by using Statistical Package for the Social Sciences (SPSS25) on a small sample (30 users) in order to measure the validity and reliability of the used measures before distributing the main sample. The following results were concluded as:

Cronbach’s alpha values were employed as the assessment of the scales’ reliability. Reliability coefficients ranged from 0.7 to 0.9, which is acceptable. When it comes to measuring validity, it was found that in most variables KMO > 0.5, Loading factor > 0.5, AVE > 0.5 and Bartlett's Test of Sphericity sig. < 0.05.

Those results mean that the model variables have a high degree of reliability and validity.

Findings/Results

4.1. Results of study phase 1 (qualitative phase)
**Motives**

1st question: What motivates you to use Airbnb rather than hotels?

*Theme one:* price and home benefits are the two main aspects that the majority of interviewees agreed upon.

Cheaper prices of accommodations on Airbnb are an advantage that attracts individuals to use the application for reservation. Hotel prices are more expensive than that of Airbnb. Likewise, home benefits are one of the motives that influence users. To feel like home, to have kitchen and feel free to cook, especially on long trips, are considered as an advantage as not all hotels have this advantage. Therefore, it will be very expensive to order a meal every day. For example, one of the interviewees said: “The first thing that motivates me is that I can choose a good place for a reasonable price (the most important reason)”. Another interviewee said: “Since I travel a lot and I almost stay for long periods, I prefer to use Airbnb because of its reasonable price, which is lower than hotels and the kitchen! I prefer to cook my own food, especially when I stay for long periods and it gave me more privacy”.

On the other hand, some mentioned that social influence, like recommending the application by their friends and family members, and privacy as important aspects. For instance, one of the interviewees quoted: “At first, it was because my friends advised me but after trying it, my first experience turned out to be positive. So, I decided to use it again.”

Figure 4.1 illustrates the different motives for people to use Airbnb application when traveling. On the one hand, it could be noticed that the major motives are price and home benefits, while privacy and social influence are mentioned by some of them as motives as well.

![Motives](image)

**Barriers:**

2nd question: “What did you dislike about Airbnb?”

The minority dislikes the host they meet; they may be unfriendly and difficult to deal with. Few said that there should be voice-calls to communicate more with the host. Others say that the location of the house is not precise until you pay but this issue is for the security of the host. Moreover, some say that it is difficult to change the date of reservation or cancel it. Otherwise, the rest of the interviewees completely agree that Airbnb is perfect.

For example, one of the interviewees said:

“Communication. I think there should be more tools of communication between users and hosts like voice calls which make communication easier”.

While another said:

“Until now, nothing is negative with the service”.

4.2. Results of study phase 2 (quantitative phase)

Although the researcher investigated the validity and reliability in the pilot study phase, the
The researcher conducted validity and reliability tests for the main sample to confirm that the variables are both valid and reliable. The tests were conducted using SPSS25. The results of EFA show that loading factor for all the variables was greater than 0.5. AVE % is greater than 70% for all the variables and KMO exceeds 50% for all the variables and finally Bartlett’s test resulted in p-value < 0.05 for all the variables, which is significant. Similarly, Cronbach’s alpha for all of the variables exceeded 70%. Bagozzi and Kimmel (1995) suggest Cronbach’s alpha values should be greater than 0.7. Each of the constructs’ Cronbach’s Alpha score was acceptable based on the greater than 0.7 cut-off established by Nunnally (1978). Additionally, Bagozzi and Kimmel (1995) state that levels above 0.6 are acceptable and show acceptable composite reliability but they suggest 0.7 as a better cutoff level.

Table 4.1 contains all direct effects, its standardized estimate, and the decision at 5% level. It shows the effect of each motive and barrier on the overall attitude towards Airbnb, the effect of the overall attitude towards Airbnb on the behavioral intention and the effect of behavioral intentions on actual usage. It was found that price, privacy, and online reviews have a significant and positive effect on overall attitude towards Airbnb, which means that H1.1, H1.7 and H1.8 are acceptable. Contrary to the prediction in hypothesis H1.2, which assumes that home benefits positively affect overall attitude towards Airbnb, it was concluded that home benefits have a negative and a significant effect on the overall attitude towards Airbnb. Therefore, this hypothesis is rejected. Moreover, the remaining motives including authenticity, novelty, ethos of sharing economy and social interactions don’t have a significant effect on overall attitude towards Airbnb. As such, the hypotheses H1.3, H1.4, H1.5 and H1.6 are rejected.

The subjective norms, which include trend affinity and social influence, were tested too to investigate their effect on both overall attitude towards Airbnb and behavioral intention to use it. It was found that only social influence has a significant and positive effect on behavioral intention to use Airbnb, which means H5.2 is acceptable and H5.1, H4.1 and H4.2 are rejected. Furthermore, three barriers were investigated to test their effect on the overall attitude towards Airbnb and it was concluded that both perceived risk and distrust have negative and significant effect on the overall attitude towards Airbnb, which means accepting hypotheses H2.1 and H2.2 and rejecting H2.3. In addition to those relations, hypothesis 3 and hypothesis 6 were tested. It was found that there is a positive and significant effect on the overall attitude towards Airbnb regarding behavioral intention and the effect of behavioral intention concerning actual usage, which supports both hypotheses. Figure 4.1 shows all the direct relations.

Table 4.1 Direct effects and its standardized estimate and the decision at 5% level

<table>
<thead>
<tr>
<th>Direct Effects</th>
<th>Standardized Regression Weights</th>
<th>Standard Errors</th>
<th>P-Value</th>
<th>Decision at significant level 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude</td>
<td>Online</td>
<td>0.444</td>
<td>0.018</td>
<td>0.000</td>
</tr>
<tr>
<td>Attitude</td>
<td>Interactions</td>
<td>0.024</td>
<td>0.024</td>
<td>0.068</td>
</tr>
<tr>
<td>Attitude</td>
<td>Ethos of</td>
<td>0.047</td>
<td>0.030</td>
<td>0.132</td>
</tr>
<tr>
<td>Attitude</td>
<td>Novetly</td>
<td>-0.055</td>
<td>0.025</td>
<td>0.076</td>
</tr>
<tr>
<td>Attitude</td>
<td>Authenticity</td>
<td>0.035</td>
<td>0.021</td>
<td>0.257</td>
</tr>
<tr>
<td>Attitude</td>
<td>Privacy</td>
<td>0.167</td>
<td>0.020</td>
<td>0.000</td>
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<td>0.020</td>
<td>0.000</td>
</tr>
<tr>
<td>Attitude</td>
<td>Price</td>
<td>0.193</td>
<td>0.023</td>
<td>0.000</td>
</tr>
<tr>
<td>Attitude</td>
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<td>0.020</td>
<td>0.000</td>
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<td>insecurity</td>
<td>0.015</td>
<td>0.019</td>
<td>0.618</td>
</tr>
<tr>
<td>attitude</td>
<td>distrust</td>
<td>-0.087</td>
<td>0.020</td>
<td>0.005</td>
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<td>attitude</td>
<td>Social</td>
<td>0.002</td>
<td>0.033</td>
<td>0.954</td>
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<td>attitude</td>
<td>Trend</td>
<td>0.053</td>
<td>0.030</td>
<td>0.083</td>
</tr>
<tr>
<td>intention</td>
<td>Social</td>
<td>0.107</td>
<td>0.044</td>
<td>0.000</td>
</tr>
<tr>
<td>intention</td>
<td>Trend</td>
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<td>0.705</td>
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<tr>
<td>intention</td>
<td>Overall</td>
<td>0.813</td>
<td>0.046</td>
<td>0.000</td>
</tr>
<tr>
<td>usage</td>
<td>intention</td>
<td>0.930</td>
<td>0.022</td>
<td>0.000</td>
</tr>
</tbody>
</table>
In order to decide whether to accept or reject the research model according to Amos, the following tests were conducted and table 4.2 below indicates the results of these tests. Generally, it is an acceptable model.

**Table 4.2**

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Optimal range</th>
<th>Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>relative chi-square ($\chi^2/d.f$)</td>
<td>1:3 acceptable fit, 3:5 reasonable fit</td>
<td>3.891</td>
</tr>
<tr>
<td>goodness of fit index (GFI)</td>
<td>&gt; 0.90  A value of 1 indicates a perfect fit</td>
<td>0.923</td>
</tr>
<tr>
<td>Tucker-Lewis coefficient (TLI)</td>
<td>&gt;0.90  TLI values close to 1 indicate a very good fit</td>
<td>0.911</td>
</tr>
<tr>
<td>comparative fit index (CFI)</td>
<td>&gt;0.90  CFI values close to 1 indicate a very good fit</td>
<td>0.944</td>
</tr>
<tr>
<td>root mean square error (RMSEA)</td>
<td>0 = exact fit, &lt;0.05 good fit, &lt;0.08 reasonable fit</td>
<td>0.078</td>
</tr>
</tbody>
</table>

**Discussion and conclusion**

**Conclusion**

From the statistical analysis in the previous section, the results are as follows:

**H1:** Motives that positively affect the individual’s overall attitude towards Airbnb.

Price, privacy, and online reviews had a positive effect on the overall attitude towards Airbnb. This result is consistent with Gong and Zheng (2018), Rimer (2017), Mayseri et al. (2017) and Tussyadiah and Pesonen (2016). While the results found that home benefits affect the overall attitude of the users towards Airbnb negatively, this result is inconsistent with the results of So et al. (2018), Guttentag (2015), Nowak et al. (2015) and (Quinby and Gasdia, 2014). Regarding other motives such as authenticity, novelty and social interactions, the results revealed that these motives don’t have any significant effect on the overall attitude of the users, which is consistent with the results of studies made by So et al. (2018) and Gong and Zheng (2018). On the other hand, it is inconsistent with other studies conducted by Guttentag (2015, 2016) and Lamb (2011), which found that these motives were significant and important factors when it comes to choosing Airbnb. Furthermore, ethos of sharing economy was found to be insignificant in deciding to use Airbnb.
Airbnb. These results are in line with studies of Guttentag (2016) and Tussyadiah (2015).

**H2: Barriers negatively affecting the individuals’ overall attitude towards Airbnb.**

The results found that perceived risk and distrust have a negative and a significant effect on the overall attitude towards Airbnb. These are the only two barriers that turned out to be significant. This result is consistent with the findings of So et al. (2018), Tussyadiah and Pesonen (2016) and (Sthapit and Bjork, 2019). In addition, insecurity turned out to be insignificant as a barrier that discourages using Airbnb and it has no effect on deciding to use Airbnb. This result is inconsistent with the findings of So et al. (2018) and Lyu et al. (2019).

**H3: Overall attitude towards Airbnb affects the behavioral intention to use Airbnb.** This hypothesis is accepted.

**H4: Subjective norms positively affect overall attitude towards Airbnb.** This hypothesis is rejected.

**H5: Subjective norms positively affect overall attitude towards Airbnb.**

It was concluded that social influence only positively affects behavioural intentions to use Airbnb. On the one hand, this result is consistent with results of So et al. (2018) and Mao and Lyu (2017). On the other hand, trend affinity was found to be insignificant, which is inconsistent with the results of those two past studies.

**H6: Behavioral intentions to use Airbnb affect actual usage of Airbnb.** This hypothesis has been accepted.

**Theoretical and practical implications**

This study contributes theoretically to the current literature by providing meaningful insights into the main motives of choosing Airbnb as accommodation instead of traditional accommodations like hotels. Moreover, it helps in understanding more about the barriers of not using Airbnb. From the qualitative phase, a new motive has been found. This motive is privacy, which affects the overall attitude towards Airbnb and, in return, affects the decision to use Airbnb. In past literature, no one studied the effect of this variable as one of the motives that encourage users to use Airbnb. In reality, it turned out to be an important motive. This finding contributes in a theoretically meaningful way to the current literature because it turned out to have a significant effect on the overall attitude towards Airbnb after testing it in the quantitative phase.

Some of the practical implications include some specific aspects of this study results. For example, the significant effect of price suggests that, in the peer-to-peer accommodation sector, developing a value for money product is of great significance. Furthermore, the significant effect of online reviews shows the importance of word of mouth and how powerful it is in encouraging or discouraging potential customers. Factors arising from the social environment, such as social influence, could also affect consumers' intentions to adopt Airbnb. Finally, perceived risk and distrust were found to be the only two barriers that significantly influence consumers' overall attitude. This finding highlights a need for individual hosts of peer-to-peer accommodation as well as platform companies, such as Airbnb, to establish trust with consumers through not only better quality assurance or satisfaction guarantee mechanisms, but also through a consistent provision of superior accommodation experiences that exceed expectations. As in the traditional lodging industry, trust-based consumer relations in addition to delightful accommodation experiences beyond expectations are likely to generate positive referrals and word-of-mouth communications. This study may serve as a practical reference for practitioners as well as researchers when developing programs and strategies to manage Airbnb consumers' needs and decision process.

**Limitations and future research**

While evaluating the significant findings of this study, a number of limitations should be acknowledged. First, this study based mainly on a sample collected via online platforms through Facebook travelling groups that have only Egyptian users, which means that the findings cannot be generalized on all travellers. Future research could sample users from different countries and cultures to determine whether the model is equally valid and useful in other research settings. In addition, the sample that was used to make interviews was small, it consisted of 8 users only as it was very difficult to reach more users for interviews and a purposive sampling technique was used. This information cannot
be generalized and that is why further studies need to increase the sample size in the qualitative phase. Moreover, the motives beyond using Airbnb are somewhat similar to those of using Bed & Breakfast, Couchsurfing, and hostels. As such, it will be useful to compare the motives of Airbnb users with the motives of users of other three accommodations.

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Inclusive entrepreneurship: A critical look at inclusion of persons with disabilities

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Keywords
Inclusive entrepreneurship, inclusivity, persons with disability.

Abstract
There have been many definitions of inclusion as it relates to the underserved and economic empowerment through entrepreneurship, but few of these definitions have focused specifically on persons with disabilities.

Purpose of Research- Many studies have looked at increasing economic empowerment through entrepreneurship for women, minorities, youth, seniors, immigrants, and rural residents throughout literature. The gap however is that the lumping of all these categories has led to the overlooking of specific challenges faced by persons with disabilities. This oversight on economic inclusivity has been magnified especially during the Corona virus pandemic.

Design/ Methodology- This study reviews literature in search of evidence to document programs, projects, and policies used in both developed and developing countries to address the challenges of inclusive entrepreneurship for all. The paper explores several entrepreneurial studies on inclusivity of business ecosystems in UK, USA, Sub Saharan Africa, and India and highlights public-private partnerships and impact investment as it relates to challenges in increasing inclusivity in businesses.

Results/Findings- It was evident that, while there are many government policies and programs to support entrepreneurship in the USA, UK, Sub Saharan Africa and India, limited empirical studies have been documented to evaluate the impact of these policies on entrepreneurship for persons with disabilities. Some of the challenges cited in literature included gender gap, cost of doing business and the likelihood to be funded to launch a business, as common dominant factors reported on the issue of inclusion.

Practical implications and Conclusions- The authors find that there is much more empirical research and analyses warranted in the study of entrepreneurship inclusion and empowerment of the underserved especially for persons with disabilities and continue reviewing literature and use quantitative and qualitative research such that additional programs, projects and policies may be developed to serve all inclusively.

1.1 Introduction: Defining Inclusive Entrepreneurship
Inclusivity, from a macro perspective, is a term used to refer to a societal way of living that is accessible to everyone and has benefits for all in daily life (INCLUDE, 2019, Pílková A,* Jančovičováa Z, & Kovačičováa Z., 2016). Both inclusiveness and inclusivity are developed to counter exclusion thus, ensuring that no one is left behind in developmental matters. Rauniyar, G., and Kanbur, R. (2009) define inclusive development with regard to changes that improve social and economic conditions across the population in a given country. To further explain inclusivity, INCLUDE (2019) used the Inequality-adjusted Human Development Index (IHDI) report to show that there is a loss of 33% in human development values due to inequality and lack of inclusiveness in development.
Inclusive entrepreneurship as a concept refers to the participation of persons from marginalized groups in entrepreneurship for economic and social development (Pilkováa A. et al., 2016). In an inclusive society, the marginalized groups are catered for through policy and initiatives that ensure all persons are included in development matters. Conversely, the lack of inclusiveness, especially in economic development in a society, leads to marginalized persons being left out and relegated to poverty and other negative outcomes (Rauniyar & Kanbur, 2010; UNCTAD, 2019).

Various scholars have studied inclusivity in entrepreneurship globally in relation to United Nations Sustainable Development Goals (UNCTAD, 2019; Thompson H., Shepherd, B., Welch, G. & Anyimadu, Adjon, 2017, Rolle J.D & Kisato J., 2019). In most of these studies, the authors have limited their study to inclusivity of entrepreneurial activity for youth, women and seniors, without addressing persons with disabilities in particular (Pilkováa A. et al., 2016). There have been research on public-private partnerships and impact investment programs to enhance inclusivity in entrepreneurship in many countries. For instance, in Sub Saharan Africa and India, studies have focused on the age gender gap in relation to inclusivity without addressing policies related to persons with disabilities (Ganesh, V.; Memon, V.; Kaushl, A.; Kumar, K 2018; Rolle J.D & Kisato J., 2019; OCED, 2019; Ntonta, J., 2019). The specific focus on persons with disabilities generally, has been lacking, perhaps due to their numbers or the lack of critical analysis on the needs of these groups.

INCLUDE (2019) on the other hand, reiterates that there are improvements in developmental programs and policies in many countries globally, but the distribution of improved wellbeing has been uneven, further highlighting the oversight about persons with disabilities in marginalized groups. OECD (2019) further posits that economic growth does not directly translate to poverty reduction if the trickledown effect to the marginalized in society is not as successful. If the most vulnerable groups of persons are excluded or overlooked, inclusive economic growth becomes sufficiently invisible in global and national economic statistics and exacerbates poverty in the most vulnerable groups (UNCTAD, 2019).

Literature shows that the concept inclusivity is viewed differently in different sectors and academic disciplines (OCED, 2019; UNCTAD, 2019). The lack of a well-accepted definition of inclusivity in entrepreneurship with regard to persons with disabilities, may pose a challenge in identifying clear inclusivity of these groups’ entrepreneurial ventures. While we acknowledge that there have been efforts to make entrepreneurship more inclusive in economic development indices, a critical look at this group is imperative. Evidently, the needs of entrepreneurs are not homogeneous, and a more critical look is required in empirical studies to understand these disparities especially for persons with disabilities.

Many of the studies done in the area of inclusivity, have lumped up women and girls, ethnic minorities, indigenous people, persons with disabilities and migrants, but not paid special attention to policies related to persons with disabilities ([Pilkováa A. et al., 2016; INCLUDE, 2019; Rolle J.D & Kisato J., 2019]). Such perspectives ignore unique variables that are critical for such groups to succeed in entrepreneurial venture. This paper reviews literature on studies of inclusive entrepreneurship that scholars have pursued in an effort to show inclusivity in entrepreneurship.

2.0 Literature Review

2.1 Inclusiveness in the Sustainable Development Goals (SDGs)

In 2015, global leaders as members of the United Nations convened to establish sustainable development goals to be achieved by 2030. Replacing the 2000 Millennium Development Goals (MDGs) meant to address global poverty, the SDGs address the nuanced social challenges that undermine growth and progress throughout the world including economic injustice, gender inequality and ability and accessibility barriers (United Nations Development Programme, 2020). With the intention to tackle the “triple bottom line” approach to overall human wellbeing; economic development, environmental sustain ability, and social inclusion, SDGs offer a framework for countries to adopt to see these efforts through (Vandemoortele, J. 2017).

Specifically, SDG 8 states its intention to “promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.” (United Nations, 2015). Further, goal 8.3 recommends “development-oriented policies” that promote and foster job creation, entrepreneurship and innovation with the intent to formalize systems that support business of all sizes, especially through the access of financial services (United Nations, 2015). These specific goals provide a springboard from
which many countries can establish programming and policies that address the needs of traditionally underserved populations. The overarching concept of inclusive entrepreneurship can be defined as one that represents an involvement of under-represented groups into entrepreneurship with the aim to help them overcome their economic and social problems (Pilková, et al., 2016; Vandemoortele, J., 2017).

Simultaneously, various governmental agencies and non-governmental organizations (NGOs) in countries, some of whom subscribed to the SDGs, have launched initiatives that embrace inclusive entrepreneurship for underserved classes. These efforts appear to parallel the progress and intention for the SDGs themselves. The 2017 United Nations Conference on Trade and Development (UNCTAD) report Innovation, diversification and inclusive development in Africa points out that there was negligible progress in SDG attainment of inclusive development, (UNCTAD, 2019). In South Africa, for instance, scholars have reported that inequality and lack of inclusivity has had long term implications for growth and poverty reduction among the blacks (OECD 2012). Additionally, innovation for the marginalized groups globally, has been slow and limited in most African countries, further exacerbating the inclusiveness in entrepreneurship and economic well-being of marginalized groups.

2.2 Examples of Global Inclusive Entrepreneurship Programs

The United Nation Development Programme (UNDP) suggests that both markets and ecosystems need to be reviewed to address the challenge of developing enterprises by the underserved. In the report, “Realizing Africa’s Wealth, Building Inclusive Businesses for Shared Prosperity,” UNDP defines four focus points. The defined areas to develop inclusive businesses include information, incentives, investments, and implementation support (UNDP 2013). The report categorizes businesses as mainstream vs. inclusive and refers to markets served, and business models used (UNDP 2013).

When referencing inclusiveness, UNDP suggests that both markets and ecosystems be reviewed to address the challenge of developing enterprises by the underserved. In the report, “Realizing Africa’s Wealth, Building Inclusive Businesses for Shared Prosperity,” UNDP defines four focus points. The defined areas to develop inclusive businesses include information, incentives, investments, and implementation support. (UNDP 2013) The report categorizes businesses as mainstream vs. inclusive and refers to markets served, and business models used (UNDP 2013). The study presented many case studies including many enterprises in several African countries addressing selected industry sectors.

In a recent study of business development in Sub-Saharan Africa several common factors were found to impede growth: limited access to finance; poor infrastructure; a constrained pool of skill workers; and corruption. (Thompson H. et al., 2017). Specifically, within Tanzania job creation within urban areas where it is more densely populated continues to be a challenge, as well as opportunities for women.

“Young people living in urban areas are more likely to be unemployed than are those living in rural areas, and young women are half as likely as young men to be in regular employment. The situation is markedly worse in Zanzibar: youth unemployment is over 30 per cent, and young people make up the majority of those who are underemployed or economically inactive” (H. Thompson, 2017).

Technology was cited to leverage growth potential of the underserved, however it was also cited that education and skills of the workforce constrained prospects for developing and scaling businesses (Thompson H. et al., 2017; Rolle J.D & Kisato J., 2019). In the recent United Nations Conference Trade & Development (UNCTAD) Report, “Borderline: Women in Informal Cross- Borderline Trade, Malawi, the United Republic of Tanzania, and Zambia,” Tanzania, as compared to others in the region has more complexity, costs, time to start a business and is ranked as one of the most difficult to start a business (UNCTAD, 2019). The issue of inclusion of persons with disabilities in entrepreneurial venture is not emphasized since the “women factor” is a more urgent challenge for these countries.

2.3 Inclusive Entrepreneurship Policies and Programs in Sub Saharan Africa

In most African countries, the role of entrepreneurship cannot be understated (Rolle J.D & Kisato J., 2019; Thompson H. et al., 2017; UNCTAD 2019). These enterprises have been categorized as micro, small and medium (MSME) enterprises and account for 92 percent of all businesses in Ghana, 91% in South Africa and provide 85% of employment in Kenya. While the focus has been on entrepreneurship in general, there has been little focus in research on inclusive entrepreneurship for persons with protective characteristics in these countries.
To further understand how inclusive development has been understudied, an analysis carried out by INCLUDE (2019) revealed that policy makers in Kenya’s vision 2030 seemed to have overlooked inclusive development and growth within its framework thus making inequality in income dimension especially for persons with protective characteristics, less prominent (Republic of Kenya, 2006). Similarly, Uganda’s second national development plan 2015/16–2019/20, proposes becoming a middle-income country by 2020 through ‘Strengthening Uganda’s competitiveness for sustainable wealth creation, employment and inclusive growth’ with no reference to persons with protective characteristics (Republic of Uganda, 2015).


It is evident therefore that a number of inclusive development policies have failed to mention persons with protective characteristics, thus posing a challenge in establishing if any specific programs have been instituted to cater for this group (INCLUDE, 2019). It is recommended that further research on this topic is imperative while looking at recent developments in mid-term or sector-specific policy papers in each of the said countries.

2.4 Inclusive Entrepreneurship Policies and Programs in India and Europe

Further ashore in Asia, January 2020 report of Global Economic Monitor (GEM) indicates that in India the economic gender gap is cited as a factor in inclusiveness, only 25% of women compared to 82% of men engage in the labour market. Of those women that do participate, one-fifth receive the income that males earn (Ph.D. Research Bureau, 2020). Even in this report, the main focus of the underserved is the youth and women with little reference to persons with protective characteristics, whose challenges might be overlooked in the long run. Further, it was reported that there was negligible progress towards inclusive development as far as innovation and diversification specifically, resulting in the disappointing progress in attaining the SDG (UNCTAD, 2017).

In Europe, inclusive entrepreneurship objectives are diverse and have several policy portfolios. There are inclusive entrepreneurship objectives for Youth; Women; Seniors; People with disabilities; the unemployed and immigrants (OECD, 2018, United Nations, 2015). As summarized in figure 1, inclusive entrepreneurship objectives have been instituted across various policies, but the number of countries that have implemented these policies in their portfolios are still low. For example, only 15 countries’ entrepreneurs are from one or more underrepresented groups in entrepreneurship or business development strategies as shown.

Figure 1: Inclusive entrepreneurship objectives span across various policy portfolios

<table>
<thead>
<tr>
<th>Countries</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Youth, 11</td>
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<tr>
<td></td>
<td>Women, 9</td>
</tr>
<tr>
<td></td>
<td>Seniors, 6</td>
</tr>
<tr>
<td></td>
<td>People with a disability, 5</td>
</tr>
<tr>
<td>15</td>
<td>The unemployed, 4</td>
</tr>
<tr>
<td>17</td>
<td>Immigrants, 3</td>
</tr>
</tbody>
</table>

Note: Estimates only national level strategies.
As the data in the chart reflects, few countries have dedicated youth, women’s, and persons with disabilities entrepreneurship strategies, which are where the highest levels of need are. Therefore, the authors find there is much more research and analyses warranted in the study of inclusion and empowerment of the underserved including persons with disabilities. It is our goal to continue our review of the literature to identify additional quantitative and qualitative research such that new programs, projects, and policies may be developed to serve all inclusively.

Several programs have emerged in the UK in response to limited support in entrepreneurship for persons with disabilities, one such program is Universal Inclusion. Universal Inclusion launched in 2013 as a self-employment / entrepreneurial alternative to life on benefits and intergenerational poverty. The organization’s programs facilitate innovation and entrepreneurship skill/mind sets yielding contributions and economic growth by persons with disabilities. Recently Universal Inclusion’s programming led to the creation of an all-party parliamentary group within Westminster specifically for Inclusive entrepreneurship.

2.5 Public-Private Partnerships and Impact Investment to enhance Inclusive Entrepreneurship

In line with SDG goal 8, various governmental agencies and non-governmental organizations (NGOs) in different countries, some of whom subscribed to the SDGs, have launched initiatives that embrace inclusive entrepreneurship for underserved classes. These efforts appear to parallel the progress and intention for the SDGs themselves. At this time, limited research and policy recommendations exist regarding the application, practicality, and fidelity of the SDGs specifically. Yet, a growing body of research does support the efforts made by individual governments and NGOs that align fundamentally with the SDG planners.

One significant stride toward the SDGs currently exists in The Democratic Republic of the Congo where the Kadiwaku Family Foundation is implementing an aptly named Inclusive Entrepreneurship for people with disabilities program, serving an inclusive workforce of over 2,500 persons with disabilities and other underserved and marginalized designations to participate in the market either as employees or entrepreneurs (Ntonta, 2019). As a direct response to goal 8 which intends to support inclusive entrepreneurship, job creation and decent work for underserved populations, this programming is one that has developed in response to the SDG criterion.

In the USA, a three-year Onondaga County led initiative funded by the United States Labor Office of Disability Employment Policy managed by the Syracuse University Burton Blatt Institute with partners from the Whitman School of Management and others culminated in the launch of Start-up NY, a program focused on the inclusion and support of entrepreneurs with disabilities as well. Utilizing a 4-stage entrepreneurship curriculum, the program’s entrepreneurial awareness, market research, business planning and sustainability, utilizing community-based stakeholders, existing governmental funding resources and state-wide partnerships was used as a model of inclusive entrepreneurship.

3.0 Research Methodology

This paper reviewed literature on different inclusive entrepreneurship studies across Sub-Saharan Africa, India, Europe, and USA. The main focus was on identifying inclusive entrepreneurship initiatives and programs that had an emphasis on persons with disability/protective characteristics. The study also examined the extent to which SDGs, policies and programs in entrepreneurship have incorporated inclusivity in their initiatives in the selected regions. The authors finally highlighted the existing gaps and proposed areas for further research that would enrich the concept of inclusivity in entrepreneurship, especially for the underserved.

4.0 Findings

Inclusive entrepreneurship work happening parallel to the SDG standards currently exists in the Ukraine, throughout the European Union, within the Visegrad4 (Czech Republic, Hungary, Poland, and Slovakia) and in the United States. In the Ukraine, ensuring the wellbeing of people with disabilities has particularly been a top priority and in turn, policies, education, infrastructure, ethics, investment, employment and social protections have all been part policy development of major economic policy development and have fostered inclusive entrepreneurship efforts (Skrylnik A., Valiavskiy, S.; Voloshina, O., 2019).
Specifically, through the examination of micro, macro and regional variables barring persons with disabilities from economic success, Ukraine has established policies and practices to support inclusive initiatives. These practices and support for inclusive entrepreneurship models, employment models that promote inclusion and integration, subsidizing small business models that create the conditions to support the needs of persons with disabilities, allowing service provision offered by persons with disabilities that is also competitive in the greater market, the establishment of public institutions as inclusive spaces and finally, appropriate, relevant and competitive training for the support of those with disabilities” (Skrylnik A et al, 2019; Pilková a. et al., 2016).

5.0 Discussions and Conclusion

The recent Corona virus pandemic has brought to fore the major challenges on inclusivity in development. The more highlighted areas have been the working poor, the small businesses, and marginalized persons. Although the lack of clarity in the term inclusive entrepreneurship has its merits, by creating the fuzziness of the concept metaphoric power that allows for a multi-disciplinary and multi-sectorial approach, it carries the danger that the term is co-opted and used as a smoke screen to exclude others in the entrepreneurial process. For example, policy makers claim that they promote inclusivity in entrepreneurship by focusing on strategies that promote economic growth without addressing inequality especially for persons with disabilities/protective characteristics.

At this time, limited research and policy recommendations exist regarding the application, practicality, and fidelity of the SDGs specifically. Yet, a growing body of research does support the efforts made by individual governments and NGOs that align fundamentally with the SDG planners. We will continue to explore examples of inclusive entrepreneurship efforts internationally and examine implementation standards carried forward by countries utilizing the SDG lens as well as those who established their inclusive entrepreneurship effort independent of the SDG standards.

6.0 Limitations and Directions for Research

Whereas definitions assist in the understanding and conceptualizing of inclusive entrepreneurship, the paucity of empirical research that pays special attention to inclusive entrepreneurship for persons with disabilities is a major drawback. From our analysis, there are limited empirical studies available to exclusively support the fidelity of SDGs thus far. We note, however, that in several countries there have been good faith efforts towards fostering a more inclusive workforce and empowering underserved and overlooked communities including women, persons with disabilities, youth, and seniors. It appears that these programs have developed parallel to the efforts of the SDG crafters to encourage inclusive entrepreneurship, nonetheless, but clear metrics of empirical research is required to assess inclusivity outcomes.

While inclusive entrepreneurship as a concept is publicly accepted as a viable career choice, there is still a need for comprehensive policy and infrastructure development to sustain these inclusivity goals. The concept of inclusive entrepreneurship is vast in breadth and scope, thus resulting in varying definitions and implementation practices the world over. Concretizing clear guidelines and operational definitions for inclusivity will foster better programming and policy development that can be generalized and adopted throughout.

References


Coworking spaces: An exploratory study to identify the challenges and different business models in Egypt

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Abstract
The focus of this research is in the area of co-working spaces. Such a study is important in order to enhance the understanding of the growth of co-working spaces in Egypt. Coworking spaces as start-ups have seen wide expansions worldwide in conjunction with the evolution of the shared economy, start-ups, and entrepreneurial projects and the labor market trends of freelancers and part-time employees. The research approach adopted in this paper is a qualitative approach. Semi structured interviews were conducted with a convenient sample of coworking space managers or founders in Cairo and Alexandria, the main two cities in Egypt which have the largest number of coworking spaces. The interviews aimed to explore their practices, choice of business model adopted among several ones to generate revenue and the challenges faced in running the coworking space. Thus, the questions focused on asking the interviewees to explain the business model adopted by the space as well as the services and networking they provide in addition to the challenges they face in running the business successfully. The findings in this paper revealed that coworking spaces in Egypt are constantly modifying their business model to adjust to market conditions in order to achieve profitability. Thereby, coworking spaces are still in their infancy stage and are subject to many changes and evolutions to meet the market trends. Furthermore, the financial viability and profitability are at stake and founders are adjusting their services and pricing accordingly. Among other results, high employee turnover was highlighted frequently by the managers during their interviews. The academic contribution relies in adding to the coworking space literature with respect to challenges faced in developing countries. The practical implications of this research offer actionable knowledge for coworking space managers and founders to provide the services and activities that would attract their target user and increase their loyalty to the space since users such as small companies have different needs from freelancers and part-time employees.

The Introduction
Over the last decade, the coworking space as a startup business model has witnessed exponential growth around the globe implying becoming the ‘new model of work’ in the setting of the ‘collaborative and ‘sharing’ economy (Botsman and Rogers, 2011). Thus, changes in both economic and market dynamics such as favoring outsourcing and subcontracting, associated with global computing, encouraging the growth of micro-enterprises, self-employed and freelance knowledge workers created demand for this service (Mories, 2014). This global exponential growth of coworking spaces was estimated to reach 20,000 in 2019 and 25,968 by 2022 (Coworking Resources, 2019). The core benefit for users resides in the notion that independent professions and those with workplace flexibility work better together than they do alone.

Across the Middle East region, coworking space has started to infuse the market with the foundation of AstroLabs in Dubai and KSA, Emaar’s e25, Dtech, A4 Space, Youth x Hub and DIFC’s Fintech Hub. Up till now, flexible office space represents less than 1 % of the region’s office stock, while there are still opportunities in the market for mega international players (Deloitte, 2019). On a national level, in Egypt the concept started in the capital city of Cairo in 2007. A non-profit initiative titled Rasheed 22 was launched by a German lady whose main driver was to provide a place to work that endorsed sharing and collaboration. Other coworking venues followed such as District Spaces, founded in 2011 then
The total exact number of coworking spaces in Egypt is unknown, since a growing number of businesses are currently opening coworking ‘sections’ within their activities, or as a separate business model without formally registering as coworking spaces. The cities of Cairo and Alexandria have the largest number of coworking spaces in Egypt. Nonetheless, smaller cities such as Gouna, Mansoura and Assuit scored the highest in relation to the coworking spaces to population ratio. In other words, the number of coworking spaces per capita is higher in smaller cities than in large ones (Enpact, 2019).

Egypt is one of the largest startup hubs in the Arab World since the Egyptian government has prioritized the promotion of entrepreneurship in the past few years. In the field of entrepreneurship, a startup ecosystem is formed by entrepreneurs, startups in their various stages, and numerous other entities such as universities, investors, accelerators, coworking spaces, legal and financial service providers, and government agencies.

Despite the important role of coworking spaces in regional development and their positive externalities (Research Group Collaborative Spaces, 2016), many of these spaces are financially vulnerable and challenged by the significant financial burden they face in terms of running and maintenance costs (Moriset, 2014; Research Group Collaborative Spaces, 2016). According to Deskmag (2019) only 40% of coworking spaces are profitable. According to UNCTAD (2017) Egypt ICT policy indicated that there are grants offered to managers of the coworking spaces to extend their services by covering the core operating and managerial costs, including human resources, maintenance, rent, ICT infrastructure, communications, administration, capacity-building training, etc.

The theoretical foundation for this research setting is based on the social servicescape concept in design, environmental psychology, and service-marketing literature. The concept of the social servicescape was enhanced by Rosenbaum and Massiah (2011) as cited in Balakrishnan (2017) to embrace customer and employee interaction together in a consumption setting. This research builds as well on the Social Facilitation Theory which advocates that in realizing the social characteristic of the environment, the simple presence (or absence) of audiences have consequences for human behavior (Tombs & McColl-Kennedy, 2010). There are abundant empirical studies with respect to the impact of social servicescape elements on restaurants, cafes, and hotels as research settings. However, comprehensive empirical studies on different settings are still required to enrich the social servicescape framework and in order to contribute to the development of the service marketing literature especially in a specific novel industry like coworking spaces.

Thus, the aim of this research is to advance an understanding of the coworking spaces conditions in Egypt through a qualitative approach that attempts to answer the following research questions: What are the different business models adopted? What activities and events take place in coworking space in Egypt? What challenges do the founders face in running coworking spaces?

This paper sections are structured as follows: section 2 discusses the literature on coworking spaces. Section 3 represents the research methodology. Section 4 discusses the findings. Section 5 entails the discussion and conclusion. Finally, section 6 presents the limitations and direction for future research.

Literature Review

The emergence of collaborative models of work thrived literature around the theme of coworking spaces, as scholars addressed it from both academics’ and practitioners’ perspectives. Co-working spaces started by 2005 in San Francisco as cited in (Moriset, 2014) it is a hosting, working and meeting place for entrepreneurs who are carriers of projects and ideas and wish to share them with others; this place is powered by a specific animation intended to create links inside and outside of the community of co-workers. Although current coworking spaces vary in terms of business model, size, specialization and amenities, most are founded to accommodate individuals or groups that are not necessarily employed by a single organization, however users share certain values and are interested in the synergies which may occur from working with like-minded people in the same space (Knoll, 2016).

The coworking space literature is rich with regards to coworking spaces topology and management models in USA, Europe and Far East (Huwart, Dichter and Vanrie, 2012; Bilandzic and Foth, 2013; Ressia, 2015; Rus and Orel, 2015; Leclercq-Vandelannoitte and Isaac, 2016). In addition some scholars studied the importance of value in use, customer satisfaction and behavior and loyalty patterns (Brierley, 2012; Rai
Capdevila (2014) conducted a qualitative study in Barcelona which examined the dynamics of innovation involving coworking spaces and found that managers of coworking spaces, have an influence in facilitating collaborative practices among co-workers. Gerdenitsch, Scheel, Andorfer and Korunka (2016) asserted a positive contribution of coworking spaces in Austria to the social support provided to independent professionals. Farrino (2015) observed an important role of organizational and social proximity in stimulating knowledge flows among co-workers, while controlling for geographical proximity. Other studies presented a broader framework of the role of coworking spaces in the city-level innovation ecosystem (Moriset, 2014; Mulas, Minges and Applebaum, 2015; Research Group Collaborative Spaces, 2016).

In the essence of coworking spaces being a player in the start-ups ecosystem, Balakrishnan (2017) empirical findings from the qualitative phase revealed management support services provided by the coworking space enable the coworking members to operate their businesses efficiently. Huwart et al. (2012) highlighted that it is not just a workplace; it is more than sharing desks. Like-minded people get together, creating synergies, creative & energetic spots, innovators interact, share, build, co-create projects, and managers thrive to maintain a positive creative climate. In Egypt, coworking spaces do not only provide the physical space, but also host a lot of educational events such as workshops on entrepreneurship, finance, HR, and how to launch a business (American Chamber, 2018).

Investing in a coworking space may seem attractive due to the ease of entry, but sustaining the business is difficult. The founders mostly faced problems with introducing concepts and marketing to the potential users during the foundation phase. The people who visited at the beginning did not understand what the space really was, getting mixed with cafe, educational center, or library. Founders and managers had to invest heavily to position themselves not only as a nice place to spend some time in, but also to be part of a creative community (ibid).

There are three or four successful business models for coworking spaces. Profits are often generated by renting desks, lockers, and conference rooms. The first business model for coworking spaces is the one that generates revenue from membership fees for renting a workspace; these fees can be calculated according to the time the users spend—daily, monthly, quarterly or annual fees that allow the member to use basic or more advanced amenities of the coworking space. Discounts are provided for longer memberships to reward loyalty or give group discounts to make profits off serving larger teams.

The second business model is based on renting amenities and equipment; amenities can include private audio or video call cabins, lockers, private offices with full equipment, mailboxes, kitchens and refrigerator rooms, as well as social spaces that can be rented for discounted fees to regular members. Equipment rentals can be like telephone lines, video, and audio equipment for the conference room, printers, computers, and even cloud storage for startups that need larger data resources.

The third business model is a membership package that includes collaborative business models with local amenities, for instance—food spots, bars and clubs, gym and fitness locations, outdoor activities, transportation discounts, medical assistance and alternative revenue sources that meet the needs of a member and that can be easily incorporated into the basic package. The fourth business model focuses on conference room rentals; adapting a conference room to serve multiple purposes. Conference rooms can be rented for business purposes, such as holding meetings, training staff, and video presentations, as well as for alternative social events.

A passionate investor with vision would set realistic pricing to succeed. Securing grants such as funds concentrated on supporting high-impact projects helps the coworking spaces to build their team and financially cover their operations (American Chamber, 2018).

Research Methodology

The aim of this research is to advance an understanding of the coworking spaces conditions in Egypt through a qualitative approach. Exploratory studies are undertaken to better comprehend the nature of the problem since very few studies might have been conducted in the Egyptian context. Extensive interviews with many people might have to be undertaken to get a handle on the situation and understand the phenomena. (Sekaran and Bougie, 2016). A semi structured interview (see appendix for questions) was conducted with coworking space managers/founders in Alexandria and Cairo. It aimed to
answer the following research questions: What are the different business models adopted? What activities and events take place in coworking space in Egypt? What challenges do the founders face in running coworking spaces?

The study sample is a convenient sample which is one of the nonprobability sampling designs, the elements in the population do not have any probabilities attached to their being chosen as sample subjects. This means that the findings from the study of the sample cannot be confidently generalized to the population. It was matching the aim of the research to obtain some preliminary information in a quick and inexpensive way. Convenience sampling is most often used during the exploratory phase of a research project and is perhaps the best way of getting some basic information quickly and efficiently (ibid).

Thematic analysis was used to interpret the results of the interviews. It is a technique used for identifying, analyzing, and reporting patterns (themes) within collected data. It organizes and describes data set in detail. Apart from that, it interprets various facets of the research area. It provides an accessible and theoretically flexible approach for qualitative data analysis. Thematic coding is a method performed within major analytic researches (such as grounded theory), rather than a specific approach in its own sense (Braun and Clarke, 2006).

Under the sample of this study and according to the responses received from 11 participants, the following findings are explained in each section. The demographics of the research participants in respect to gender were 10 males and 1 female, age group was 25-35. All respondents hold a bachelor’s degree.

The interviews were conducted face to face. The average duration was 45 minutes. The audio record was made after the participants’ appraisal and agreement to participate in the study. All the participants answered the 15 questions and at the end of the interview, they were given the chance to ask any question about the research or any contribution they would like to add.

Findings/results

Following the thematic analysis of the conducted interviews with the managers/founders of coworking spaces, the following ten themes have emerged as detailed in the following sections:

Theme 1: Business Models are changeable to meet the market needs:

The coworking space (CS) owners mentioned that the main sources of revenues are room renting, training & consultations and that their business model was changeable over time according to market dynamics and profitability issues. This was reflected in the comments:

“Our sources of revenue are room renting and workshops”. (CS1, Manager)

“Our business model started as a student space then the business model has developed to be a high-level space equipped for entrepreneurs and start-ups as a private offices and as co-working slots for individuals. Also, we provide consultation services with other co-working spaces in Cairo, Damanhur, Qena, Luxor etc. Anyone who wants to open Coworking space consults us and we offer training services as well for an agreed upon fees”. (CS2, Owner & managing director)

“The business model was changing over time, as at first we were discovering the market as our model was restricted to studying area concept. In 2017, we participated in the best co-workspace in Egypt contest and we got the seventh rank. After the competition we started to develop our business model to include the following services: Recruitment programs and capacity building programs (We have received funding from civil society to train the youth more than 150 trainees), online learning programs, entrepreneurship programs as we gave a support to more than 20 projects, office rent and business consultation”. (CS7, founder & business developer)

Theme 2: Customers vary according to the coworking space market niche:

All responses regarding this question indicated that the coworking space attracts customers of the same category; in some places the main customers are students, while for others it is entrepreneurs and freelancers, the visitors age ranged from 16-45 years and the males represent the bigger portion of users as reflected in their responses. Below is an extract of the responses received in support of the aforementioned:

“We target undergraduate students, so we have 90% mainly students, 10% entrepreneur and freelancers”. (CS3, Owner & managing director)
“Our customers are mostly freelancers in ICT (developers, web designer, trainers)”. (CS5, Community manager)
“We target start-ups and small companies”. (CS2, Owner & managing director)

**Theme 3: The frequency of visiting varies with the type of customer**
Most of the respondents revealed that students and freelancers come on daily basis, while entrepreneurs visit on weekly basis as reflected in their comments:
"Our visit frequency depends on the customer’s need, some come to attend trainings, students visit daily and freelancers, while entrepreneurs’ usage is 2 days weekly".
(CS1, Manager)

**Theme 4: Interaction between members rarely takes place**
Most interviewees expressed that there is no interaction between the members, and this was reflected in the comments:
“Our users prefer privacy and isolation to concentrate on performing their tasks”. (CS1, Manager)
“In our coworking space the interaction between daily users is rare, but sometimes a user requests a graphic designer for example, our community manager guide him to the right one from our members”. (CS4, Owner & managing director)

**Theme 5: The community manager plays an important role to induce networking**
All respondents agreed that in order to foster networking and interaction among the users, the community manager has a strong role to play and this was reflected in the comments:
“In our coworking space, the community manager organizes events that increase the interaction among users who rent private offices”. (CS2, Owner & managing director)
“The activities organized by our community manager makes the visitors interactive”.
(CS5, Community manager)
“A great percentage of our user interaction is dependent upon our community manager and our social activities and as a result there are users who got married, users partnered in projects, and there are users who found jobs and got employed by other users”.
(CS7, founder & business developer)

When asked about the activities taking place, the CSs owners/mangers mentioned that:
“Through our community manager organizing social events such as: Ramadan Holly month meal (Iftar), games night and movies night”. (CS1, Manager)
“Through our special events like monthly meeting for personal development sessions like work life balance… etc. or monthly breakfast & birthday parties for our members”.
(CS2, Owner & managing director)

**Theme 6: Physical Design (Layout) promotes privacy, performance, and positive energy**
Regarding the design and layout, the comments of the owners and managers revealed that the designs are meant to promote privacy, performance and spreading the positive energy as reflected in the comments:
“The decor was chosen to suit the tastes of the young people, comfortable chairs and desks that promote simplicity and encourage users to focus on their performance”. (CS1, Manager)
“Our CS is divided into several sections to meet the different needs of our users; there are a number of private offices which contain: meeting tables or desks or both of them depending on customer desire, this suits start-ups and small business, then we have training or conference rooms, and of course a spacious space of work stations for daily users which has (sofas, partitions, shared tables, and bean bags)”. (CS7, founder & business developer)
“Customized designs for companies which rent private offices is an option to tailor the design and colors according to their requests”. (CS2, Owner & managing director)

**Theme 7: Customer satisfaction is contingent on the quality of amenities**
When the respondents were asked about the factors that the customers require in order to be
satisfied; all responses indicated that coworking spaces conduct customer satisfaction surveys whether electronic, oral, or written in a periodic or non-periodic manner. In addition, most of the responses regarding the factors satisfying co-working space members were limited to amenities and finding a suitable place to be productive. These amenities are internet speed, comfortable furniture, air conditioning and strong lighting and this was reflected in the comments:

“value for money, business support through consultancy services, cleanliness, printers, scanners and internet speed”. (CS5, Community manager)

“we measure our customer’s satisfaction through our mobile application, as the client can rate us for the following items: place rules, payment plans, internet speed, and staff behavior and service quality”. (CS2, Owner & managing director)

Theme 8: There is a variety of loyalty programs and discounts for loyal customers

All responses indicated that coworking spaces offer their customers loyalty programs and discounts, this was reflected in the comments:

“we give daily user and freelancers 20-25% discount on the hour’s bundles, offer flexible hours with no limit to duration or time range. For dissatisfied loyal customers, if the evaluation result is below average, we give the client 50% discount and if the evaluation result is poor, we give the client one day free”. (CS2, Owner & managing director)

“We provide discounted training courses for our loyal customers/frequent visitors. These training courses are conducted at our premises”. (CS3, Owner & managing director)

“We give points for our daily subscribers, discounts for specific services, & vouchers. For our monthly subscribers we give them discounts on training courses, free tickets to attend business events. (CS5, Community manager)

“We offer publicity and business networking for our loyal users”. (CS7, founder & business developer)

Theme 9: The major challenges are low financial return and high employee turnover

Most respondents revealed that the sustainability of the business is at stake as the financial return and profitability are not that conducive to run the business, in addition to staff turnover.

“My main challenge is low financial return and sustainability”. (CS1, Manager)

“Our concerns are the high competition and expensive rent”. (CS5, Community manager)

“Challenges reside in low profitability and high employee turnover as we employ undergraduate students and by the time they graduate they look for other jobs or we employ fresh graduates and once they have some work experience they leave for better jobs”. (CS7, founder & business developer)

Theme 10: The future of coworking spaces resides in being a significant component of the start-up ecosystem not just a place to rent offices or stations

The future vision of founders for coworking spaces is greatly affected by their ability to engage deeper with the start-up ecosystem as revealed from their comments:

“In Egypt, the culture of business incubators has begun to spread, it is very wise to collaborate with incubators and accelerators”. (CS5, Community manager)

“My goal for the coming period is to develop and enhance my project to change the idea that coworking space is a place for private courses or studying only”. (CS2, Owner & managing director)

“Support for entrepreneurship and excellence”. (CS3, Owner & managing director)

Discussions and conclusions

The qualitative approach adopted in this research attempted to answer the following research questions:

First question: What are the different business models adopted?

This question is answered by the interviewees responses which revealed theme 1: Business Models are changeable to meet the market needs. Different business models exist from renting offices and stations to renting conference and training rooms. Also, some spaces generated revenue by providing consultancies and training programs to start-ups when they realized that generating revenue streams from just renting is not viable enough. Others modified their business model to be based on grants and
funds with incubators and accelerators whether privately funded or by the government. This finding reinforces the claim of Knoll (2016) that although current coworking spaces vary in terms of business model, size, specialization and amenities, most are founded to accommodate individuals or groups that are not necessarily employed by a single organization, however users share certain values and are interested in the synergies which may occur from working with like-minded people in the same space. This research findings are also in congruence with Deskmag’s (2019) that there are three or four successful business models for coworking spaces. Profits are often generated by renting desks, lockers, and conference rooms. The most common business model for coworking spaces is the one that generates revenue from membership fees for renting a workspace; another business model focuses on conference room rentals; adapting a conference room to serve multiple purposes. Conference rooms can be rented for business purposes, such as holding meetings, training staff, and video presentations, as well as for alternative social events.

Second question: What activities and events take place in coworking space in Egypt?

The answer to this question was revealed in theme 4: Interaction between members rarely takes place and theme 5: The community manager plays an important role to induce networking. The respondents articulated that social events such as: Ramadan Holly month meal (Iftar), games night and movies night are common activities in addition to, special events like monthly meeting for personal development sessions like work life balance… etc. or monthly breakfast & birthday parties for our members. Holding workshops and training programs for start-ups are among the events that induce networking too. These research findings reinforce the findings of Capdevila (2014) which examined the dynamics of innovation involving coworking spaces in Barcelona and found that managers of coworking spaces, have an influence in facilitating collaborative practices among co-workers. In addition, Balakrishnan (2017) empirical findings from the qualitative phase revealed management support services provided by the coworking space enable the coworking members to operate their businesses efficiently. Huwart et al. (2012) highlighted that it is not just a workplace; it is more than sharing desks. Like-minded people get together, creating synergies, creative & energetic spots, innovators interact, share, build, co-create projects, and managers thrive to maintain a positive creative climate.

Third question: What challenges do the founders face in running coworking spaces?

The research findings revealed theme 9 that the major challenges are low financial return and high employee turnover and theme 10 that the future of coworking spaces resides in being a significant component of the start-up ecosystem not just a place to rent offices or stations. These findings are in congruence with the findings of the Research Group Collaborative Spaces (2016) which stipulated that despite the important role of coworking spaces in regional development and their positive externalities, many of these spaces are financially vulnerable and challenged by the significant financial burden they face in terms of running and maintenance costs (Moriset, 2014). According to Deskmag (2019) only 40% of coworking spaces are profitable. In Egypt, coworking spaces do not only provide the physical space, but also host a lot of educational events such as workshops on entrepreneurship, finance, HR, and how to launch a business. A passionate investor with vision would set realistic pricing to succeed. Securing grants such as funds concentrated on supporting high-impact projects helps the coworking spaces to build their team and financially cover their operations. (American Chamber, 2018).

In conclusion, this paper presented an exploratory study tapping into the field of coworking space in the Egyptian context through conducting in-depth semi structured interviews with the owners/community managers of the coworking spaces and generating themes from the thematic analysis for the respondents’ answers. The academic contribution relies in adding to the coworking space literature with respect to challenges faced in developing countries. The practical contribution resides in the recommendations such as better collaboration between coworking spaces and start-ups and the start-up ecosystem in general. In addition, studying the market in the neighborhood to identify the market need and type of customer is vital before embarking on the decision to establish a coworking space as an easy barrier to entry business. Community managers should capitalize on their presence on social media to promote better awareness about the benefits of networking and engagement among members as it is not just a place to study or perform tasks.

Limitations and direction for future research
The limitations of this research stem from the inability to cover the sample in different governorates in Egypt due to time and resources constraints. The convenient and small number of sample size hinders the findings to be confidently generalized to the population. These limitations stimulate further research that entails developing a conceptual framework for the coworking space dimensions preferred by the user and their impact on the users’ loyalty. In addition, future research is needed to stand about the relation between the start-up ecosystem and coworking spaces. Deeper investigation into how coworking spaces can be of higher value to freelancers and part-time employees is also needed. Moreover, further research is required to provide solutions for coworking space owners to generate higher profitability and maintain sustainability and scalability of their business.

Appendix
Interview questions for founders/managers of Coworking spaces

Introduction
Please introduce yourself. Name, Job title, Age, Qualification, Gender.
How would you describe the business model of this coworking space?
Please describe sources of revenue.

Customer
Who are the customers of this coworking space?
How often do they visit this coworking space?

Interactivity
How would you describe the type of relationships between coworkers?
Do the users get to know each other or work in isolation?
Do you interfere to engage the users together?
What activities does the coworking space provide to encourage interaction among coworkers?

Design
Describe the design and atmosphere of this coworking space.
What does it promote?

Satisfaction and Loyalty
What are the factors that the customers require in order to be satisfied?
Do you measure customer satisfaction and feedback? If so, please elaborate.
Are there any loyalty programs/schemes/discounts?

Ending
What are the major challenges of managing coworking space?
Describe your vision for coworking space in the future.
Would you like to add anything regarding the topics we talked about?

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Career forms: Organizational, gig, and in-between

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Abstract
The nature of business-related careers, and particularly organizational ones, has changed drastically over the last many years. Non-traditional careers of the past are rapidly becoming the norm. Classic career management literature focused on managing and being successful in organizational careers. However, the environment has changed, and researchers have pointed out that careers now can be viewed as being organizational, semi-organizational and gig-economy related. The common thread through the new career forms is the increased responsibility on individuals to manage their careers. In particular, the gig-economy points to a de-linking of organizations with people doing organizational work, by the latter being viewed as independent contractors rather than employees. In this paper, we present prior work on career forms and models, both within and outside of organizational boundaries. Further, we propose a theoretical framework to view these career forms in the context of current organizational settings.

Introduction
Individuals accumulate work experiences over their lifetimes and do so by following different pathways. They could work for their own enterprises or other organizations. These organizations could be for-profits, nonprofits or governmental. The focus of this paper is on careers related to for-profit businesses, both in the corporate organizational and in the self-employed categories.

Businesses in the U.S. have completely upended themselves structurally and functionally, driven by twin engines of technological advances and their willingness to dynamically restructure to fit changing strategic concerns. Thus, a “typical” organizational career that once might have been housed in just one firm over an individual’s working life has become fractured and potentially spread over several organizations. Simultaneously, there has been the rise of the non-organizational, “gig” economy that provides opportunity for individual contractual work. Regardless of the form, the onus is now on individuals to continually manage their careers.

The Employment Landscape: Business Organizations and the Gig Economy
Over the last few decades, U.S. businesses have faced increasing pressure to perform financially and compete globally. Their response has been to reformulate the meaning of organizational work and alter the social contract they had with their workforce. This coincided with reduction in power of workers’ unions.

Employees at all levels have been affected by the permanent change’s businesses have been making through constant re-evaluation, restructuring, and outsourcing. Whether it is far-shoring or near-shoring, outsourcing has disrupted organizational careers, since it is irrevocably tied with downsizing or lay-offs (Peirpel and Baruch, 1997). These widespread and long-term practices have completely changed organizational careers, with lifetime or even long-term employment almost disappearing from the picture.

At the same time, there has been a growth in the number of people working in temporary and unstructured employment, commonly referred to as the “gig economy” This kind of employment differs from traditional self-owned businesses and is more akin to traditional contractors. However, in contrast to the latter, in the gig economy, the services provided are typically housed within large organizations. Many factors have contributed to the growth of the gig economy in the U.S. (Strauss, 2017; Manyika, et al., 2016; Gig Economy, n.d). A leading factor is workforce mobility linked to digital work and related
decoupling of work and job locations. An increasing number of workers, unemployed, underemployed, or inactive, have sought gig work, either as primary or as supplemental income. Interestingly, Gig economy workers could include even executive-level professionals, who might participate while holding to their traditional 9-to-5 primary jobs. Thus, the phenomenon has affected not only lower levels of organizations but even executive levels (Best, 2017).

The reasons for participating in the gig economy are varied. Some workers who experienced frustration with seeking full-time organizational employment in the last recession decided to turn instead to the freelance market. A decline in domestic pension programs, resulting in reduced retirement savings for older members of the workforce, caused some in this group to seek temporary and self-scheduled work. Many employees, viewing organizational turbulence, aspired to become independent. Some valued the freedom of choice of work location. Finally, some people have simply liked the flexibility of gig work to earn an income.

A specific group, who can be referred to as the “sandwich generation” has faced hurdles regarding their careers. This is due to their life situation. Not only do they need to work and pursue their careers, they need to take care of their elderly parents and their children at the same time (Ansberry, 2020). The gig economy allows them to prolong their careers at their own pace, place, and time, by sharing their knowledge and skills, while earning income for the effort.

Finally, the rise of the gig economy has also been fueled by increased demand from both consumers and organizations for independently provided services. Presumably, these services have lower prices and increased convenience as selling points.

The Employment Landscape: Society and Workforce Groups

There is no doubt that social changes interact strongly with organizational ones. The composition of the societal workforce impacts that of a business, as does the socio-legal environment. For some countries, demographic changes cause workforce contraction, with a ripple effect on the job market and employee careers. Factors impacting careers include the rate of labor displacement, government labor policies, and population growth or decline. Two critical aspects of the population are: age structure and the speed of population aging. These are affected by fertility rates as well as mortality rates and life expectancy in the population. A steady decline in annual birth rates, sometimes as the result of governmental policy (such as China’s one-child policy), can result in altered workforce composition. For instance, this can result in a greater presence of mature employees. A significant social change has been the increase in women pursuing careers, with certain professions categorized as “pink” jobs while those of men being referred to as “blue” (The Economist 2019). Finally, an important influence is that of migration (Reynauld and Miccolli, 2019), as determined by immigration policies. All of these could skew existing employee pools.

The movement of workers across countries, commonly tied with the idea of globalization, has resulted in a diverse workforce in the U.S. This workforce broadly adheres to certain workplace values, expectations, lifestyles, and individual careers — past and developing — depending on the geographical context. Even with the shortage of certain technical skills in some sections of the labor force in the industrialized world, automation, machine learning, and algorithms have completely transformed the way many of today’s jobs are done. Modifications to careers necessarily occur. The bookend to this is the importance of attracting, maintaining, developing, and upskilling internal labor forces. A complex combination of adjusting for market realities, with labor shortages and need for enhanced organizational performance and productivity gains have ensued. These concerns are reflected in the generational make-up of the workforce and changes in structured employment relationships.

An interesting feature of the changing workforce is the presence of multiple age cohorts working as peers. There has been an increasing number of people working well into what used be retirement ages. The main reasons for this are banking failures and resultant financial crises, along with reduction of job benefits. This continuing presence of older workers could be controversial. An upside is the retention of the talent and skills of older workers with organizational memory who could guide and coach younger workers and new hires. Younger workers could contribute to new thinking and technological knowledge. However, Fairless (2019) contends that older workers entering Europe's labor market in general, and in the hospitality industry, in particular, do so at the expense of career opportunities for younger workers.
This multi-cohort workforce can be divided into generational groups as: 1) Traditionalists, those born before 1946; 2) Baby Boomers those born between 1946 and 1964; 3) Generation X, those born between 1965 and 1976; 4) Generation Y, or Millennial, those born between 1977 and 1997; and 5) Generation Z, those born after 1997 (Grensing-Pophal, 2018). The groupings reflect differences between groups in terms of their attitudes, expectations, strengths, and limitations as workers.

Classic Career Models

A career can be understood as a sequence of work experiences over a lifetime (Greenhaus and Kossek, 2014). These experiences could include professional, semi-professional and personal activities (Sullivan and Baruch, 2009).

The classic approach to career planning began with identifying an individual’s vocational preferences, considered as a reflection of a person’s attitude towards career-related contexts, situations, and outcomes (Nye et al., 2012, p. 385). Holland attempted to classify individuals through six vocational identities - realistic, investigative, artistic, social, enterprising, conventional” (Nye et al., 2012). Career counselors directed individuals to careers thought to be an appropriate fit based on such vocation related information. Original career planning models recognized that individuals differ in interests, aptitudes, and values (Super, 1953, p. 187). Thus, not every career is a good fit for every person. At the same time, it was understood that, for every individual, there is a variety of jobs that he or she could succeed in (Super, 1953). Thus, the emphasis in career planning was on making the right career choice, with the default assumption that the individual would remain in such a chosen career for an extended period of time.

How individuals made career decisions was also studied. According to Gottfredson’s Theory of Circumscription and Compromise, an individual made career choice through a process of elimination, guided by self-concept, removing those that were not acceptable or possible (Leung, 2008). Bandura’s Social Cognitive Theory proposed that an individual chose a career based on feelings of self-efficacy. Both theories have stood the test of time and apply equally well to current organizational environments, even as career choices become more frequent over an individual’s lifetime.

For a career anchored in an organization, career development followed career choice. A typical organizational career would move within the hierarchy, either vertically or laterally. In Weber’s ideal of a bureaucratic organization, movement such as selection, placement, and promotion would be based on technical competence (Clarke, 2013). However, the reality is more complex and much of career-development research focused on negotiating the organizational workplace. Literature addressed both individual-level career planning and organization-level management processes (Greco and Kraimer, 2019) since organizations were assumed to have a vested interest in developing their employees. Thus, a traditional organizational career was defined in terms of the relationship, and the underlying social contract, between an individual and the employing organization (Sullivan and Baruch, 2009, p.1542). The underlying assumption was of a stable organizational structure and longtime employment.

Traditional career growth models followed the “logic of Advancement’. Ambitious and career-focused employees would move up the organizational hierarchy through a sequence of positions (Kanter, 1989; Clarke, 2013, p. 685). Career advancement depended on various factors, some of which were specific to the individual and others organizational. Ambition, couched in the organizational context (Fels, 2004), and desire for advancement was a necessary individual characteristic. Different organizations could have different career progression models. Some might favor advancement based on length of tenure, namely seniority. Most U.S. companies are assumed to be ‘contest’ oriented, where individuals are chosen for progress up the hierarchy based on competition of some sort (Ishida et al., 2002). Advancement that was mostly of insiders could be facilitated by the organization hiring few outsiders beyond entry levels, promoting ‘from within’ and minimizing attrition.

Basic career competencies such as skills and job-related knowledge, personal motivation and contacts among coworkers were considered as the how, why and who aspects of an organizational work that were relevant for all employees, regardless of specific jobs (Hirschi, 2012). Further, career progression through the hierarchy was tied to aspects such as – kind of work done, visibility and perception. Work that was more central to an area or department, and eventually to the organization, was likely to lead to advancement rather than work considered either as a support function or not that critical. Simply doing the work or even doing it very well, was not sufficient to gain advancement; others had to know about it.
as well, leading to the concept of ‘visibility’ in the organization. Individuals could and needed to, make others aware of their performance and potential. This could be done directly, as in claiming ownership of work done, or indirectly through mentors and sponsors. This was also related to having connections and relationships at work, both to inform and be informed.

The work that an individual did was closely tied to organizational success. For instance, taking on ‘challenging’ or difficult assignments and delivering work output in them would be favorably viewed. Often international ventures were critical to a company’s overall strategy and managing them well was considered a benchmark of organizational success (Yan, Zhu, and Hall, 2002). Thus, international assignments were often considered essential steps for top-level executives.

**New Career Models and a Proposed Framework**

Career management could be viewed as a process through which individuals gain knowledge both of themselves and their work environments, determine meaningful goals, and decide on career strategies. This is a dynamic process, where the individuals get feedback regarding performance and progress to repeat the cycle (De Vos and Cambre, 2017, p. 504). This view de-couples the individual from the organization. Such a general focus on individuals and career management, factoring in organizational changes, has led to new views of careers.

One approach was to identify three parameters of career planning as Authenticity, Balance, and Challenge and view careers as focusing on one of these at a time. Authenticity referred to the sense of being true to oneself, which could be interpreted in different ways, such as being true to one’s identities or values. Balance referred to making choices so the different aspects of life made sense for the individual. Challenge had to do with doing something an individual might find difficult and would need to invest in learning, although it would lead to more control and autonomy (Sullivan and Mainiero, 2007). At different points in an individual’s career, he or she would focus on one of these three parameters.

An Alpha career pattern would focus on – Challenge, Authenticity, Balance (Sullivan and Mainiero, 2007, p. 238) and would align with traditional organizational career paths and upward mobility. As a contrast, Beta careers would focus on – Challenge, Balance, Authenticity, and represent choices of individuals who (might have had to) make adjustments to have a more balanced life (Sullivan and Mainiero, 2007, p. 238). Researchers suggested, somewhat contradictory to traditional career advice, that it may not always be best to pursue alpha, upwardly mobile careers. Organizations may want, and value, Beta careerists as positively contributing to a culture of balance and stability (Sullivan and Mainiero, 2007, p. 268).

Other management scholars claimed that careers have lost traditional features (Sidiropoulou-Dimakakou, Mylonas and Argyropoulou, 2015, p.40). Rather than a linear process of professional advancement and organizational mobility, a modern career is more likely to be an accumulation of various work experiences (Clarke, 2013, p. 685). It can include occupations and experiences in the life of the individual (Super, Tiedeman and Borow, 1961). Thus, careers have become both less linear and less predictable (Hirschi, 2012).

This place the onus of career planning and management on the individual, rather than the organization. Individuals who are comfortable with planning in their everyday lives may be adept at career planning (Gould, 1979). Career planning would require knowledge of skills and requirements for different careers and work environments, as well as an understanding of one’s drives, skills, and aptitudes. Broadly, career success has been defined as positive psychological and work-related outcomes (Seibert and Kraimer, 2001). Both extrinsic and intrinsic factors can contribute to a feeling of career success (Ng et al., 2005). Typically, organizational indicators of career success have been titles, promotions, and compensation. In the absence of such indicators, individuals have to determine what career success means for them.

In addition to individuals taking on responsibility for their career management, they have to do so in an increasingly uncertain and turbulent business environment (Greenhaus and Kossek, 2014). Organizations used to be collections of full-time employees, and even have had an implicit understanding of long-term employment. However, after a few decades of shift in how (global) business actually function, U.S. organizations now are more likely to have three significant groups of workers – full-time, temporary, and part-time (Hall, 2004). The issue of who constitutes full-time or core could change
dynamically, depending on strategic decisions. This could result in entire departments or divisions being eliminated, as non-essential to the current strategy.

Two career orientations were identified as prevailing in this environment: Boundaryless and Protean. Both Boundaryless and Protean reflect the changed relationship between employees and organizations.

A boundaryless career spans across different organizations and represents the willingness of an individual to move out of organizational boundaries. Movement can be of two types – 1) psychological, reflecting change in kind of work done and desire for variety and 2) physical, reflecting change in location and organization, but not necessarily the kind of work done (Wiernik and Kostal, 2019). A boundaryless careerist is not attached to a single organization and has career mobility across companies or even industries. Career success could be both extrinsic (need to earn a livelihood) and intrinsic (resonate with internal needs and values).

A Protean career is characterized by career decisions based on the individual’s core values. The major success criterion is intrinsic and subjective. Protean careerists are self-driven and may make career choices that need not gain them material gains (Wiernik and Kostal, 2019). Additionally, Protean careerists might even pursue traditional organizational careers if that choice aligned with their core values.

More recently, apprenticeship programs have made an appearance as a new hiring trend in some large companies. Companies such as Bosch, Barclays and IBM have started employing jobseekers without college degrees to fill their entry-level tech positions (Shah, 2020). Such initiatives provide high school graduates an opportunity to embark on work without having to go through the process of getting a college degree. A caveat is that such apprenticeships may be temporary and mutually beneficial work experiences, necessarily ending in organizational careers.

Any extreme of a pure career form might be rare. Some careers that continue to exist like traditional organizational ones are termed post-corporate (Lips-Wiersma and Hall, 2007). However, the general trend appears to be individuals experiencing hybrid careers, characterized by elements of both traditional and non-traditional career concepts. They may want the job security and hierarchical mobility of traditional organizational careers but also non-traditional career development aspects such as boundaryless training and interaction, and a sense of protean well-being (Sullivan and Baruch, 2009 p. 1557). This could be driven by their understanding that an organizational career is more likely a job, and subject to upheaval.

One way to view different career forms is by considering two differentiating variables. The first is the organizational relationship: that is, whether the individual is an employee of the organization, an individual contractor, or an individual contractor under an organizational umbrella. The second is the customer relationship: that is, whether the work is directed to organizational entities or individual consumers. The framework below illustrates this. As mentioned, individual careers can move between the boxes, or even span across them (as in the case of those performing gig jobs on a part-time basis while holding full-time organizational jobs).

<table>
<thead>
<tr>
<th>Organizational Customer</th>
<th>Individual Consumer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Employee</td>
<td>Traditional organizational career, B-to-B</td>
</tr>
<tr>
<td>Individual contractor</td>
<td>Traditional consultant, supplier, or sub-contractor</td>
</tr>
<tr>
<td>Individual under an organizational umbrella</td>
<td>“Gig economy” B-to-B</td>
</tr>
</tbody>
</table>

Table 1: Framework of Current Career Forms

While these are actual career forms, we can view Alpha, Beta, Boundaryless, and Protean as career orientations or mind-sets. They more accurately describe the motivations and mindsets that drive individuals in career choices (for example: accepting or declining an overseas assignment) rather than actual interaction with employers and customers.

Our framework provides a theoretical lens through which to view careers. Actual careers can move between the boxes or even be in multiple boxes at the same time. For instance, an individual could have a boundaryless by starting as an organizational employee and moving to being a contractor. An
individual is can simultaneously be an organizational employee and individual worker under an organizational umbrella.

While this framework is a useful way to view current career forms and shows the role of organizations in careers, it is a theoretical construct that is not prescriptive. It does not explain conditions under which an individual will move from one box (in Table 1) to another, nor the relative merits of doing so. To gain more insights, we would need to identify conditions under which individuals and organizations fit into each of the boxes in the table.

Conclusion

Changes in career forms are here to stay. The classic organizational career has not disappeared and continues to exist in some form. However, today’s employment reality suggests that careers exist on a continuum of fixed, standard employment and fragmented, dynamic gigging activity. Workers may have little choice but to engage in technology-induced job-hopping. The combined work experience could take the form of boundaryless careers or gigging activities, as either the main or supplementary source of income. Thus, over a lifetime, an individual could have jobs straddling several careers, or just one single career but with several jobs and employers.

Career management requires individuals to have a mix of old and new skills. Willingness and ability to do continuous learning is a career survival necessity. Other necessary features are expertise in doing the current job, continual updating of skills needed for the current job, and acquiring skills transferable to other jobs, in case the current job is eliminated or drastically changed. Development of organizing, efficiency, time management, and effective communication skills, all of which used to be under the organization’s purview, now have become the individual’s responsibility. Mentors and sponsors were found to be key to organizational career success and organizations had mentoring initiatives or even formal matching programs. However, that too has been delegated; individuals now need to develop their networks both within and without organizations and in broader professional arenas since careers are likely to move around.

New career forms present daunting challenges for some and exciting opportunities for others. Knowledge of how to negotiate the landscapes will distinguish the latter from the former. The framework proposed in this paper will aid individuals in understanding career forms and assist in career management.

References


Can We Afford It?
The association between financial aid and time to completion in Accounting Higher Education in South Africa: A literature review

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Key Words
Academic performance, accounting students, financial aid, higher education, South Africa, time to completion

Abstract
Internationally, research has been conducted on factors affecting students’ academic success as measured by time to degree completion. Investigating these factors is important given the role of higher education in the South African context. Astin’s Input-Environment-Outcome (I-E-O) model was used to analyse the factors affecting students’ academic success. These included key input and environmental factors identified in prior literature such as race, gender, prior academic results, English proficiency, high school quality, family income, first-generation educational status, integration into higher education institutions, student employment and financial aid. To date, South African research on financial aid has concentrated on how financial aid improves access to higher education, however, there is very little information on how it effects on-time degree completion. This paper thus identifies a gap in the role of financial aid in assisting timely graduation and examines this phenomenon in relation to accountancy students in South Africa.

1. Introduction
South Africa has made significant strides in tertiary education in recent years, notably the increase in student attendance at university, particularly amongst Black South Africans (South African Institute of Race Relations, 2019). However, it has been found that Black students were more likely to be academically excluded earlier in their degree programmes, and graduated at slower rates than their White peers (Neethling, 2015). Race is being used to provide historical context to describe and measure the effects of current policies and practices redressing the inequities of the past (Department of Higher Education and Training [DHET], 2014). DHET (2014) uses the composite term ‘Black’ to refer to the racial descriptors of African, Coloured, and Indian/Asian. These racial descriptors, with White, are used for planning, monitoring, and funding purposes.

Access to university is not sufficient; students also need to graduate in order to be classified as academically successful. Understanding student success is a complicated exercise, reflecting the multifaceted nature of this phenomenon (Granito and Santana, 2016; Morris, 2016). It is nonetheless essential that institutions understand the factors that influence students’ ability to graduate on time.

Since the advent of democracy to South Africa in 1994, higher education institutions (HEI) have been tasked with equalising access to HEIs and improving the quality of academic success based on changes in the social and demographic profile of the student population (DHET, 2015). Despite the challenges faced by the higher education sector, HEIs saw exceptional growth in Black South African student enrolments (Council on Higher Education [CHE], 2016). However, there has not been a corresponding increase in student success, as measured by timely graduation (DHET, 2016).

The vision for HEIs in South Africa is to increase throughput, graduation and participation rates (CHE, 2013; DHET, 2014). Recent research indicates that undergraduate students in South Africa have high dropout and low graduation rates and their degrees take longer than prescribed to complete (Cloete, 2016; CHE, 2016; DHET, 2015; van Broekhuizen, van der Berg and Hofmeyr, 2016). HEIs must therefore gain insight into the factors that effect on-time graduation to effectively support students (Cloete, 2016; CHE, 2016; Universities South Africa, 2016).

Although the national undergraduate graduation rate is low, the University of Cape Town (UCT)
reported an improvement in its undergraduate graduation rates. In the 2016 Teaching and Learning Report (UCT, 2017), UCT reported to DHET that the institution exceeded its targeted cohort completion rates set in 2011 for all undergraduate programmes. The University recognised that there were wide-ranging factors that led to this improvement and that these needed further investigation, particularly with regard to the experiences of Black students and the impediments to their success (UCT, 2017).

There are multiple factors at play in understanding student success. Similarly, there are many variables that impact degree completion. These include race, gender, high school grade point average (GPA), mathematics mark, science mark, English proficiency, high school quality, family income, first-generation educational status, integration into HEI systems, student employment and financial aid.

Through a qualitative analysis of literature, this paper establishes the role of financial aid amongst the factors that impact degree completion in South Africa.

The following research questions are addressed in this paper:
1. Why is it important to understand what affects students' academic success?
2. How can the key variables for student success be categorised?
3. What are the factors affecting students' academic success?
4. What is the impact of financial aid on students' academic success in South Africa, as reported in the literature?

This paper begins by contextualising the research topic within the theoretical framework of Astin’s Input-Environment-Outcome model, explaining the impact of the input and environmental variables on degree completion. The paper then homes in on more specific factors that could affect students’ completion of their degree, focusing specifically on financial aid.

2. Methodology

An online search of the Google Scholar and UCT library databases was conducted. All papers and published reports on variables impacting degree completion were identified. The abstracts of the studies were then scrutinised to determine whether they would be relevant to this paper. The selected literature was then evaluated in terms of the four research questions of the paper, within a refined 15-year time period of 2005 to 2019 to take into account recent trends and shifts within Accounting Education and new challenges faced by students.

3. Literature review

3.1. Importance of understanding what affects students’ academic success

Over the past few decades, HEIs have increasingly focused on improving the rate at which students graduate from universities. As a result, studies have investigated factors either facilitating or preventing students’ on-time degree completion. This has been achieved by measuring various student outcomes and selected aspects of academic success (Astin, 1984; DHET, 2016; Theune, 2015; Tinto, 1975; Zewotir, North and Murray, 2011). However, the cognitive and non-cognitive processes of learning and development are complex. Similarly, measuring academic success can be challenging as factors such as students’ attitudes, strategies, skills and behaviours cannot be gauged through grading, scores and standardised testing (Fook and Sidhu, 2015; York, Gibson and Rankin, 2015).

Most commonly, researchers have measured academic success in terms of students’ educational achievements such as those who achieved or exceeded a specified grade or GPA (Letkiewicz et al., 2014; Treviño, Scheele and Flores, 2014; Yue and Fu, 2017), credit accumulation (Denning, 2017; Donhardt, 2013), degree completion (Arendt, 2013; Murray, 2014) or time to completion (Letkiewicz et al., 2014; Yue and Fu, 2017). Measuring student outcomes, however, cannot fully inform us why some students succeed and others, with similar characteristics, drop out (Murray, 2014) or ‘stop out’ (interrupt enrolment) from higher education (DesJardins and McCall, 2010). In attempts to develop a more holistic approach, studies have included not only student outcomes but also students’ development and integration into the university’s social and academic environment such as student engagement (Zumbrunn, McKim, Buhs and Hawley, 2014) or institutional culture (Lewin and Mawoyo, 2014).

Improving graduation rates and on-time graduation is a focal point for HEIs in South Africa (CHE, 2010, 2016; DHET, 2016) where on-time graduation means that full-time equivalent (FTE) students manage to graduate within the designated timeframe for their programme (that is, completing a three-
year bachelor degree in three years or a four-year bachelor degree in four years). Isolating the factors which lead to academic success at university is crucial as it would identify students who require additional support as well as assisting HEIs to develop the right programmes to help those students.

3.2. Astin’s Input-Environment-Outcome (I-E-O) model

Multiple factors could affect students’ academic success in a particular degree. Astin’s Input-Environment-Outcome (I-E-O) model simplifies the complexity of higher education research by examining the interdependence of inputs, environments and outputs (Astin, 1984). The original purpose of the model was to examine the impact of environmental variables on outcomes, accounting for background characteristics (Astin, 1993). The I-E-O model allows researchers to examine multiple effects simultaneously, which helps to avoid the problem of a lack of random assignment.

3.3. Student input characteristics

Tinto (1975) contends that students’ personal attributes affect their academic success. Students’ involvement in university life and academic development is influenced by these attributes as well as their overall satisfaction with student-faculty interaction (Zhou and Cole, 2017).

Several international studies have examined the association between degree completion and factors such as race and gender (Kim and Sax, 2009), high school GPA (Letkiewicz et al., 2014), English proficiency (Dooley, Payne and Robb, 2012), family income (Scott-Clayton, 2015), first-generation educational status (Wohlgemuth et al., 2007) and financial support (Chen and DesJardins, 2010). In addition, mathematics and science marks (Zewotir et al., 2011) as well as high school quality (van Broekhuizen et al., 2016) contribute to the impact on degree completion in South Africa.

3.3.1. Race and gender

The differential effect of race and gender on student outcomes has been widely explored in the literature (Bhorat, Goga and Stanwix, 2014; Gross, Torres and Zerquera, 2013; Kim, 2004; Kim and Sax, 2014; Schreiber and Yu, 2016). The effect of financial aid can be moderated by race and ethnicity (Gross, Torres and Zerquera, 2013). Kim and Sax (2009) investigated the effects of financial aid on the attainment of underrepresented students in Indiana. The study found that the frequency of student-faculty interaction varied across student race and gender for undergraduate students at the University of California, which affected their outcomes.

Research on education in South Africa includes race and gender as critical variables for student outcomes (Bhorat and Pillay, 2017; Murray, 2014; Schreiber and Yu, 2016; Wangenge-Ouma, 2012; Zewotir et al., 2011). This is understandable as HEIs are tasked with redressing the inequalities of the past and providing previously disadvantaged students, especially black and female students, with reasonable and equitable opportunities for academic success (DHET, 2016; Universities South Africa, 2015).

DHET (2016) report that African female participation has increased steadily over the past few years, all females have had lower dropout rates than males and have the best chance of graduating on time. The demographic profile of higher education in South Africa has changed progressively since democracy, and much of the targeted growth in Black and female student representation has been achieved (Universities South Africa, 2015). However, the low graduation and throughput rates have overshadowed this growth and continue to reflect apartheid era patterns concerning race (DHET, 2016). The UCT 2017 Teaching and Learning Report (2018) indicates that the graduate profile differed markedly between Black and White students, suggesting that there is still work to be done to close the performance gap between these two groups.

3.3.2. Previous academic results

A vast amount of research has been performed on past academic results affecting student outcomes, both internationally and in South Africa. Past accounting research on student performance has explored the effect of either aggregate high school results, high school mathematics results, high school English results, high school accounting results or a combination of these on academic performance (Aidoo-Buameh and Ayagre, 2013; Gul and Fong, 1993; Jansen and De Villiers, 2016; McKenzie and Schweitzer, 2001; Papageorgiou, 2017; Papageorgiou and Carpenter, 2019; Pullen, Toerien and Anthony, 2015). Positive relationships were found between the various high school results and academic performance at
3.3.3. **Type of school**

There is very little research on the type of school attended by students and its impact on university performance. Unfortunately, the two Australian studies (Evans and Farley, 1998; Jackling and Anderson, 1998) on this topic are contradictory and therefore provide limited evidence.

Secondary education in South Africa comprises private schools, schools previously classified as Model C schools and government or public schools. These classifications depend on the level of government funding (Tikley and Mabogoane, 1997), with Model C schools receiving part private and part government funding. While South Africa spends a high proportion of gross domestic product (GDP) and taxation on education, this is not reflected in public school students’ performance in their graduation results (South African Institute of Race Relations, 2018). Pullen *et al.* (2015) and Jansen and de Villiers (2016) found limited evidence of school type impacting student outcomes.

The Department of Basic Education divides South African schools into five quintiles to determine the level of school subsidy that a particular school is entitled to. Schools in the first quintile are the poorest while the 20% of schools that are the most well off are in the fifth quintile (Roodt, 2018). Private or independent schools and former Model C schools would generally be classified in the higher quintiles compared to government or public schools.

In the 2016 South African Grade 12 national results, students from wealthy schools (which include public and private schools) contributed the vast majority of passes above 80% for mathematics (Roodt, 2018). As mathematics is a potential predictor of tertiary education performance, these results are worrying. Additionally, high school results are a good indicator of university access, but a limited contributor to outcome (van Broekhuizen *et al*., 2016).

3.4. **Institutional environment**

Astin (1993) emphasises that understanding the educational process and factors that influence academic success will be limited with input from students only; information about the environment in which the students are studying must also be taken into consideration. Student integration into university is complex and while universities cannot mitigate all the factors inhibiting students’ academic success, they must pay serious attention to the known factors to assist students’ transition to university life and facilitate social and academic integration.

3.4.1. **Language of instruction**

The language of instruction is seen as a significant hurdle to academic success (van Rooy and Coetzee-van Rooy, 2015). South Africa has 11 official languages, and with English as the medium of instruction in most HEIs in South Africa, this is likely to influence academic success for those students who have English as a second or third language (Baard, Steenkamp, Frick and Kidd, 2010).

The lack of English proficiency, both written and verbal, poses a barrier to social and academic integration for most Black South African students (Lewin and Mawoyo, 2014). This challenge is not limited to black South Africans only but, also to the White Afrikaans-speaking student body (Baard *et al*., 2010). The lack of English proficiency limits the students’ ability to interact with faculty staff and lecturers, it makes it difficult to take useful notes and results in students falling behind as the workload increases (Dukhan, Cameron and Brenner, 2016; van Rooy and Coetzee-van Rooy, 2015). When students enrolled for both English literacy modules as well as critical thinking workshops, they had a better chance of academic success (Dukhan *et al*., 2016).

South African research on language and performance has been contradictory. In accountancy, the performance of Black students has been significantly affected by race and home language (Sartorius and Sartorius, 2013). When these students were instructed in their home language, their results improved (Baard *et al*., 2010), however, in some cases, this was not statistically significant (du Plessis, Muller and Prinsloo, 2005; Jansen and De Villiers, 2016) while in others, it was.

3.4.2. **Integration into the academic and social systems of HEIs**

Tinto (1975, 1982) contends that there is a connection between students’ integration into the academic and social systems of the institution and their persistence in completing their degree, or
alternately, dropping out. Astin (1993) postulates that student success is influenced by the attributes the student brings to institution and its environment.

Student-faculty interaction, across gender and racial subgroups, is crucial in student development, whether in the classroom or in other venues such as laboratories (Kim and Sax, 2009). Zumbrunn et al. (2014) suggest that student perceptions of the classroom as well as academic and social support may consequently affect their motivation, engagement, and academic achievement.

Broadbridge and Swanson (2006) explored how employment affected students’ social life while at university. Some of the participants indicated that it was difficult to manage their workloads, and as a result, missed lectures with less time to study. Others associated working while studying with a sacrifice of social time at university but had a positive outcome for the social aspects of working.

3.5. Financial aid
Internationally, many studies on students’ academic success and on-time graduation have examined the role that finances play in persistence after students enrol in university.

3.5.1. Fees and on-time graduation
Tuition-free education, though desirable, may slow down on-time graduation as students who are not sensitive to the cost associated with higher education may consume more of the funding, adding more years to degree completion (Lang, Chan, Pask-Aube and Swift, 2009). While high tuition fees may hinder access to higher education (Pennell and West, 2005), in certain instances, it was found that high fees did, in fact, improve on-time degree completion (Bruckmeier, Fischer and Wigger, 2015; Garibaldi, Giavazzi, Ichino and Rettore, 2012).

Raised tuition fees
Garibaldi et al. (2012) investigated the effect of raised tuition fees after the prescribed period for graduation and discovered that students who expected an increase in tuition fees after the fourth year of study made a more concerted effort to finish their studies on time. Additionally, the reduced probability of late graduation did not have an adverse effect on the dropout rate or on the quality of student performance (Garibaldi et al., 2012). Bruckmeier et al. (2015) studied the effect of the introduction of tuition fees at previously fee-free institutions and concluded that the introduction of fees did not significantly affect students’ enrolments although it did improve the time-to-completion.

Cost-sharing model
Higher education in South Africa is not ‘free’ but highly subsidised by the government (Bhorat and Pillay, 2017; Oketch, 2016). It functions on a cost-sharing model consisting mainly of state subsidies and tuition fees (Universities South Africa, 2016; Wangenge-Ouma, 2012). Despite the decline in state funding, DHET (2014) encouraged HEIs to set tuition fees at a level that would give students – especially those from poor and middle-class families – access to higher education and help them to complete their degree on time. Despite this request, research on tuition fees shows that the cost of higher education has risen steeply in recent decades (Boatman and Long, 2016; Cloete, 2016; Pennell and West, 2005; Wangenge-Ouma, 2012).

Rising education costs
In South Africa, from 2015 to 2018, students protested against high tuition fees and the lack of financial assistance (Dominguez-Whitehead, 2017). These protests reflected the effects of increasing costs of higher education coupled with declining employment opportunities (Mngomezulu, Dhunpath and Munro, 2017). The rising costs of education, together with the cost of living, make it more difficult for students to afford higher education. Students who cannot afford the costs of higher education enter the labour market while studying out of necessity, as an alternative to stopping out (DesJardins and McCall, 2010; Soria, Weiner and Lu, 2014) or dropping out (Chen, 2012). While student employment in itself is not a problem, it may prolong time to degree completion.

3.5.2. Student employment and time to graduation
Students facing financial difficulties and how they divide their time between work and study has been the subject of many studies (Beerkens, Mägi and Lill, 2011; Bozick, 2007; Dundes and Marx, 2007;
Hogan, Bryant and Overmyer-Day, 2013; Lerma-Gardia, 2017; Neill, 2015; Triventi, 2014). One would think that students who do not work would devote more time to their studies and would therefore complete their degree on time as opposed to those who have to juggle academic and work life. However, research has found that employment may be beneficial for academic success depending on the number of hours and the reason(s) students elect to work (Astin, 1984; Beerkens et al., 2011; Darolia, 2014; Dundes and Marx, 2007; Hogan et al., 2013; Neill, 2015). The reasons students gave for working were to pay for living expenses (Dundes and Marx, 2007; Triventi, 2014), to pay for tuition fees (Dundes and Marx, 2007; Neill, 2015) and career advancement (Beerkens et al., 2011; Wenz and Yu, 2010; Yanbarisova, 2014).

Advantages and disadvantages of student employment

International research on the effect of student employment on time-to-degree suggests that students benefit from working limited hours (Bozick, 2007; Dwyer, McCloud and Hodson, 2012; Hogan et al., 2013; Wenz and Yu, 2010). Students who opt to work while studying may increase their chances of success as it may improve their soft skills such as time efficiency, problem-solving and personal responsibility (Dundes and Marx, 2007). Dundes and Marx (2007) further reveal that a limited amount of employment (10-19 hours in their study) provides a significant improvement in GPA. These findings have been corroborated by other international studies. Wenz and Yu (2010) discovered that students who worked limited hours and whose employment developed career-specific skills earned higher GPA scores than those who worked excessively and for other reasons. Similarly, Darolia (2014) found a positive relationship between students’ academic grades and working up to five hours. Beerkens et al. (2011) observed no significant effect on the students’ academic progression for students who worked for less than 25 hours per week. On the other hand, Triventi (2014) found a negative relationship between academic progression and students who experienced financial constraints and worked an average of 35 hours per week (high intensity).

High tuition fees and student employment

Triventi (2014) found a positive relationship between the level of tuition fees and the likelihood of students working while studying at universities. A study by Neill (2015) found that the response to high tuition fees differed amongst students depending on their living arrangements and parental education. The researcher found that the rise in tuition fees in Canada seemed to have resulted in a corresponding rise in student employment.

The effect of working on academic progression may vary depending on the number of hours worked, and the reason the student elects to work (Triventi, 2014). In South Africa, students from low socioeconomic groups who experience food and housing insecurity may increase their hours of work (Broton and Goldrick-Rab, 2017; Dominguez-Whitehead, 2015, 2017) which in turn may impede their academic success. Moreover, students from impoverished backgrounds who receive financial assistance are sometimes expected to redirect some of this funding to support their families (Mngomezulu et al., 2017). Working students who receive additional financial aid may lower their hours of work, which in turn will improve their academic success and time to completion.

3.5.3. Financial aid and time to graduation

Numerous international studies have investigated the impact of financial aid as a factor that may improve time to degree completion (Chen and Hossler, 2017; Chen and DesJardins, 2010; Oketch, 2016; Yue and Fu, 2017).

The purpose of financial aid

Financial aid reduces the cost of higher education and promotes academic success (Dwyer et al., 2012; Dynarski, 2016; Goldrick-Rab, 2016; Scott-Clayton, 2015). Students may receive financial aid from their families, private companies, philanthropic organisations, or government, based on a variety of conditions. Financial aid could be awarded based on merit, whether academic or athletic (Chen and DesJardins, 2010; Cohodes and Goodman, 2014; Sjoquist and Winters, 2015), on financial need (Stater, 2009) or to improve access, persistence and academic success (Bhorat and Pillay, 2017; Bird and Castleman, 2016; DesJardins and McCall, 2010). Sufficient financial resources are seen as a contributing factor for students to engage both academically and socially (Jones, Coetzee and Bailey, 2008).
Consequently, the availability of financial aid has become increasingly more important for students from socially and economically disadvantaged backgrounds. While the purpose of financial aid is to lower the cost of education, South African research on the effect of financial aid has concentrated on how it improves access rather than how it contributes to on-time degree completion.

Level of financial aid

In the United States of America (USA), Chen and DesJardins (2010) concluded that merit and need-based aid improved persistence and academic success and that greater financial assistance to minority groups resulted in a significant increase in persistence and decreased dropout risk. They found that a variety of factors such as age, family income, parental education and financial aid influenced students’ dropout rates.

After controlling for sex, race, ethnicity, high school attended and SAT (originally the Scholastic Aptitude Test) scores in the USA, Sjoquist and Winters (2015) found no significant difference in degree completion between pre- and post-merit award recipients. Their results imply that merit aid had no meaningful effect on college attendance or degree completion. Merit aid generally does not cover full tuition fees but may increase access and reduce the potential need to work while at university (Cohodes and Goodman, 2014). One can draw similarities between the low-income and minority groups in the USA and Black South African students concerning low graduation rates. Therefore, it could be inferred that greater financial assistance, along with affordable tuition to disadvantaged groups, would have the same effect in improving on-time graduation.

The National Student Financial Aid Scheme (NSFAS)

In South Africa, the National Student Financial Aid Scheme (NSFAS) manages and directs financial aid to students who are not able to afford university education (CHE, 2016). Bhorat and Pillay (2017) investigated the performance of NSFAS beneficiaries for the period 2000 to 2012 by demographics and subject pass rates. Using the subject pass rate as an indicator of performance, the researchers found a positive relationship between the award size and the subject pass rate. This relationship, in turn, suggests that higher NSFAS awards might enable students to perform better at HEIs. However, the NSFAS data were not compared with the Higher Education Management Information System (HEMIS) data to examine dropout or graduation rates. This link is essential to determine the impact of financial aid on student dropout risk and degree completion.

4. Conclusion

This paper examined the importance of understanding the factors affecting students’ academic success, specifically time to degree completion. Insights on this topic are vital as they would help to identify students who require additional support as well as assisting universities to devise appropriate strategies to help those students. Using Astin’s Input-Environment-Outcome (I-E-O) model, it became clear that many factors affect degree completion. These include race, gender, prior academic results, English proficiency, high school quality, family income, first-generation educational status, integration into HEIs, student employment and financial aid.

To date, South African research on financial aid has concentrated on how financial aid improves access to higher education, however, there is very little information on how it affects on-time degree completion. Even though South Africa has a history of disparities in its education system, the higher education sector has seen growth in Black student enrolments. Unfortunately, this has not resulted in a corresponding increase in on-time graduation. Further research into financial aid would create a better understanding of how such support could assist timely graduation.

5. Limitations and direction for future research

The scope of the paper is limited to a review of literature. Future research should empirically study the factors identified that significantly affect on-time degree completion, specifically in South Africa.

6. References


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The relationship between ineffective methods of applying quality management and functional combustion in Arab Universities

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Keywords  
Quality management, functional combustion, Saudi universities, Higher education institutions

Abstract  
The study aimed to shed light on the relationship between the ineffective use of quality and functional combustion in Saudi universities. The study used the descriptive-analytical methods, the researchers used the SPSS program for analysis. Higher education institutions seek to apply quality standards to achieve excellence in education and research services and community service, in order to obtain academic accreditation. Universities are quick to meet the requirements of accreditation, to achieve these goals, the biggest burden falls on the faculty members "update programs, courses, academic guidance, Also conduct scientific research, attend conferences and provide community service in many forms such as workshops, training programs, consultations " these requirements are the core of the accreditation process and are also closely related to the work of the faculty member, However, the lack of good organization and overload of burden leads to underperformance and outstanding achievement in any of the scientific or research fields. This leads us to enter the stage of "functional combustion," a state of intellectual, emotional, and physical exhaustion as a result of overwork. So, the problem of the study appears in the main question what is the relationship between the ineffective methods of quality management, functional combustion in the Arab universities?

The results of the study showed there are very negative aspects of the ineffective application of quality at the university, which is reflected by everyone who works in the university field at the level of Arab universities, so led to reducing the important scientific role of the faculty member to become a primary preparatory of quality reports which take all time.

The researchers' recommendations university must study the phenomenon of job combustion and to work out their causes and devise appropriate solutions to mitigate its spread.

1. Introduction  
Higher education institutions strive for the proper and comprehensive application of the concept of total quality management to improve quality levels and enable the organization to excellence. Engaging in the work and ensuring that it is done to the fullest is a positive thing that helps us speed up our practical ambitions, but overemphasis on the tasks of work and the saturation of its problems and pressures may lead us to enter the stage of "functional combustion," a state of intellectual, emotional and physical exhaustion as a result of overwork.

However, the application of quality in a manner that leads to a set of challenges facing the educational institutions, such as waste of human resources and misdirection leads to what is known as institutional burnout, and to meet these challenges had to be the proper and comprehensive application of the concept of total quality management to improve quality levels and enable the organization to excellence. Achieving the quality of education is achieved through the existence of a mechanism that clarifies the policy that the institution should follow from the efficiency of administrative organization and the provision of high-level training systems for the educational and administrative staff. The quality of education is the totality of the attributes and characteristics that relate to the educational service and can meet the needs of students. Educational product.
The Study Problem
Higher education institutions face a wave of challenges, such as low productivity, and ineffective methods of achieving quality goals, causing what is known as functional combustion. Hence, we can put the main question of the study:
What is the relationship between ineffective methods of applying quality management and functional combustion in Saudi universities?

Objective Study
Identify the principles and requirements for applying quality in education, the concept of functional combustion, the cause of functional combustion Requirements for the application of total quality management in higher education, Manifestations of functional combustion, Stages of functional combustion, Dimensions of functional combustion, Treatment and prevention of functional combustion.

The Theoretical Study
Theoretical Framework
Principles of Quality in Education
There are a set of principles of quality in education the most important of these principles:

- Full support from leaders of educational institutions and mechanisms of total quality
- Change in management style from bullying to the delegation
- Comprehensive quality as it encompasses all areas of service.
- Integration of policies to achieve quality and excellence in the chain of quality processes.
- Focus on team spirit through the use of flat-panel organizational structures
- Good use of effective time management and positive coping mechanisms
- Providing workers with the culture and skills of “Assertiveness behaviour” in the sense of earning and helping others gain.
- Develop and activate a system of incentives that takes into account the requirements of regulatory justice.

Requirements for the application of total quality management in higher education
The application of total quality management in any organization requires the availability of basic skills in the director of total quality and his staff such as:
- Setting measurable goals and attention to strategic planning.
- Strengthen collective work as the foundations within the organizations.
- Attention to appreciation and rewards when the completion of workers effectively.
- Setting standards for control and the need to use quality tools and processes and rely on the Deming cycle to improve performance.
- Urging individuals to learn from mistakes.
- The ability to provide human relations between employees.

Functional combustion
Functional burn-out as a disease was approved in the new version (ICD11) by the World Health Organization. when it provides 3 symptoms: - A feeling of energy shortage and fatigue. Increased mental gap from the job and decrease effectiveness.

The definition of “burnout” has been revised by various psychological schools. (Herbert Freudenberger) described burnout terminology as subjective sensation of energy depletion and being overwhelmed with numerous issues concurrently with self-dedication and commitment in work and prove oneself (Doaa, 2019).

burnout is typically described as a reaction to long-lasting untreated occupational stress, which is characterized by three symptoms: exhaustion, cynicism and reduced professional efficacy (Stela, 2017).

Marwan (2016), psychological combustion is a group of symptoms that are nervous strain, exhaustion of emotional energy, impersonation in personal terms, and a feeling of dissatisfaction with achievement in the professional field, which can occur in people who perform a type of work that requires direct dealing with People.

Shukla & Trivedi (2008), The inability to fulfil the required service requirements as expected, which
is emotional exhaustion, apathy, physical fatigue, low energy, mental illness, increased drug use, and anger is not justification, frustration, and low personal achievement.

**Manifestations of functional combustion.**

- Reduced satisfaction rate.
- Weak sense of belonging and loyalty to the institution.
- Difficulties in work and personal relationships.
- Continue working at home.
- Neglecting oneself and not being able to control interactions.
- Health problems, depression - weight gain - pressure diseases.
- The imbalance between work and personal life.
- Severity of character, behavior change and unwillingness to deal with others, Permanent preoccupation, and rush to finish the long list of actions, and focus on speed, not mastery.
- Loss of vision, development, improvement and focus on recurring assignments.
- Postponing matters and social activities.
- Organic disorders, which may appear in the form of imbalances such as: frustration, anxiety, depression, and speed.

**Stages of functional combustion.**

- Health problems
- Realization difficulties
- Difficulties in work and personal relationships
- Continue working at home
- Fatigue
- Negativity
- Reduced satisfaction rate
- Loss of motivation to continue production
- Performance issues
- Neglecting oneself

**Dimensions of functional combustion:**

Categorized the dimensions of psychological combustion into three main dimensions, and called it the psychological combustion syndrome (Maslach, 1982), namely:

1. **Emotional stress: Emotional Exhaustion**

   Emotional stress is the first component of psychological penetration, which can be described as a loss of energy, a state of complete weakness and fatigue, depletion of the individual’s emotional and physical resources, a feeling of fatigue and physical exhaustion when making the least effort, as well as a feeling of frustration and irritability, and the inability to make any decision.

2. **Sagging Depersonalization Sense:**

   It is the most extensive dimension, and it indicates a negative shift in reaction to others, as it implies negative attitudes, And inappropriate, and the unity of printing, and the tendency to cruelty, and the loss of human feeling when dealing with others, and individuals experience a feeling that they are no longer able to perform their high levels of naturally.

3. **Reduce Feeling of Personal Accomplishment:**

   It expresses the self-evaluation of combustion, and it represents a feeling of professional inefficiency or a lack of sense of the efficacy of effort, loss of motivation to accomplish, and the individual tends to assess personality achievement in a negative way, a sense of failure, and poor self-esteem.

**Treatment and prevention of functional combustion**

Hogarth, (2017) suggested a number of recommendations to avoid reaching this critical stage, work and its problems should be separated at specific times per day to contribute to driving motivation to work.

Experts also recommend paying attention to any new physical or psychological symptoms, such as permanent headaches also possible to resist "functional combustion" through measures such as setting times for relaxation and engaging in loved activities, giving up sleeping pills, organizing time to make the
most of it without suffering from stress, taking time to rest on the working day, even for a few minutes, and stay away from people Negative or frustrated.

**Literature review**

Doaa, (2019), *functional combustion and Job Satisfaction among Healthcare Providers* in Aswan University Hospital, Upper Egypt. 'Background & Objective (s): The study aimed to assess the levels of burnout and job satisfaction as well as their correlates among healthcare providers in Aswan University Hospital. Methods: A cross sectional study design was applied. Interviewing questionnaire was filled from 134 physicians and 149 nurses (total 283) working in clinical departments in Aswan University Hospital.

Results: Proportion of high level in burnout dimensions were as follows: emotional exhaustion was 50%, low personal accomplishment was 39% and depersonalization was 33%. The mean job satisfaction score among the studied population was 63 out of 100. Increasing age was a significant predictor for emotional exhaustion. Currently unmarried significantly perceived higher emotional exhaustion and depersonalization. Higher job satisfaction scores significantly predicted low perception of emotional exhaustion and depersonalization and high personal accomplishment. The significant predictors for job satisfaction were current unmarried status, working as nurse, residing outside Aswan, age increase, high personal accomplishment score and low emotional exhaustion score.

The American Psychological Association and the Center for National Opinion Research at the University of Chicago, (2019) found that 48% of American have experienced an increase in stress levels over the past 5 years. More than half of the respondents (53%) said that the work causes them great fatigue.

The American Human Resources Management Association (HRA, 2019), found that "burnout and burnout" is one of the most important reasons for the resignation of many employees, And neglects his personal life.

Nivethitha Santhanam, (2019), Modeling the impact of employee engagement and happiness on burnout and turnover intention among blue-collar workers at a manufacturing company. The purpose of this paper is to examine the impact of engagement on job burnout and turnover intention among blue-collar workers in manufacturing facilities. In addition, this study also explores the role of happiness as a moderator in explaining the effect of engagement on burnout and turnover intention, the results showed the importance of engagement and happiness on decreasing burnout and turnover intention. Organizations could capitalize on these findings by implementing new and improving their existing quality management initiatives, which, in turn, could improve the employee’s organizational commitment.

Rafsh & Alrabeay, (2018), the impact of job satisfaction on the success of organizations, this study examined the impact of job satisfaction in organizational success. The study was conducted on a random sample of (87) employees, distributed in several administrative levels. It used a questionnaire as a key tool to collect data and information, as well as personal interviews and observation. The study sought to test a number of hypotheses concerning the main and sub-effect relationships between the variables of the study, based on the study results, it has developed a set of recommendations. It was most important that administration of offices identify employees with dimensions and the importance of job satisfaction and the senior management in the Commission of Integrity must pay attention to organize training courses for leaders and managers, in order to familiarize them with the importance of job satisfaction, and administrative modern approaches that contribute to achieve and improve it.

Akdy, (2017), Organizational Climate and its Relationship with Job Burnout Among Secondary Schools' Teachers in Jazan Region This study aimed to achieve a number of objectives such as: identifying the degree of organizational climate in the public secondary schools in Jazan region, recognizing the level of job burnout among teachers in secondary schools in Jazan, revealing the relationship between organizational climate and job burnout among secondary schools' teachers in Jazan, recognizing differences in study sample responses concerning organizational climate according to (school type, qualification, marital status, experience), and recognizing the differences in rate of burnout among teachers according to (school type, qualification, marital status, experience). , the study shows statistically significant differences between study sample responses concerning organizational climate and the following independent variables: school type, experience, and qualification. Statistically, significant
differences are also established between the rate of job burnout among teachers and the following independent variables: school type, qualification, and experience. The study suggests a modified model for measuring organizational climate and its relationship with job burnout at public schools. The study also presents a number of recommendations and suggestions which aim to reinforce positive aspects and overcome negative ones in school’s organizational climate in order to reduce the level of job burnout among.

Shalan, (2017), Confronting the Job Burnout: Towards a Suggestive Model

The study seeks to identify the Burnout as a psychological and managerial phenomenon, also the study seeks to address the following main question: Is confronting Burnout the responsibility of individual or leadership? the study yields the following findings: -reasons for Burnout are related - the institutional circumstances; the treatment of the employees; the work pressure; the absence of a role; non-participation in decision-making; and the lack of job rotation; the responsibility for Burnout is not confined to any institution, but it extends the leadership responsibility, individual responsibility, and the shared responsibility between the individual and leadership; a model is designed by the researcher to determine the relative responsibility assumed by leadership, individual and shared between them with regard to the prevention and treatment of Burnout.

Mahdi, (2017), The research aimed to investigate the impact of employee’s empowerment on job burnout. To achieve this research was conducted on a random sample of (151) employees in the general company of Iraqi ports in Basra. The statistical package for social sciences. The researcher used many statistical methods to achieve the research objectives, such as simple, multi regression and the research results showed there is significant impact to employees’ empowerment dimensions on job burnout in the company of the research sample.

Hogarth, M. (2017), "Avoiding Burnout" In terms of the Time Pressure measures (Table1), the local library feels much higher time pressure, and feels slightly busier and in a hurry survey results found that high time pressure and high levels of burnout likely affect patient safety interactions. The researchers recommend: dealing with emotional problems calmly. Enough job resources in terms of physical, emotional, and intellectual support should also be addressed in order to maximize success and avoid burnout, also A fair scale of justice extended across all parts and processes of a library is key to reducing long-term stress. Fairness has a strong positive influence on organizational image, efficiency, and effectiveness. Fairness can be achieved by creating a library climate where workers can freely express themselves and where they can take part in social activities, Opportunities for bonding and socializing allow staff to feel more connected in the library. Partnering across departments for projects, with regular face to- face meetings that emphasize de-briefing, what worked, and what didn’t work, allows freer and better communication, growing connectedness.

1Naser, (2017), aims to know the importance of the application of a total quality management system to limit the phenomenon of Job Burnout. The search has taken place in some service government departments in the province of Wasit, and it relied on a scientific peer-reviewed questionnaire form in order to reach the required results. Questionnaire study samples which are Represented the employees in various administrative functions in the service of some government departments in the province of Wasit. Random samples of workers have taken whose have administrative functions, sample of size is 100 administrative officers who distributed to (10) governmental offices, and it has used various statistic methods to analyze and treat data that has got from the questionnaire by the dependence of statistic program (SPSS, vr.20). The search reached many conclusions one of them: there is the relationship between the application of total quality management and reduction of job burnout which indicate to the importance of the subjects, and it concluded several recommendations the most prominent is the services governmental offices in Wasit province have to attend to apply principles and concepts of total quality management which are successful means to limit levels of job burnout, also to achieve the quality in some services which offer from many organizations . Marwan (2016), The Role of Quality of working life in the reduction of Job Burnout phenomenon in Al-Aqsa Network. This study aimed to identify the degree of the availability of quality of working life dimensions, to measure the level of job burnout as well as to detect the role of the quality of working life dimensions in the reduction of job burnout phenomenon in Al-Aqsa network for media and artistic production. To achieve the objectives of the study, a descriptive analytical
approach was utilized and a questionnaire to collect the necessary data. The results study:

- The availability degree of quality of working life dimensions was rated to together as moderate, with a proportional weight (61.33%).
- The level of prevalence of job burnout phenomenon among employees was (49.64%).
- There is a weak negative (-0.242) relationship between the dimensions of quality of working life and job burnout.
- Social relations and employees’ participation in management had a positive significant effect on job burnout and both interpreted (7.9%), (4.7%) of the variation in the dependent variable, respectively.

El-Tebani, al-Agha & Saad, (2015), “This research measures the job burnout level among academic staff at Gaza universities. It aims at studying the relationship between job burnout of academic staff at Gaza universities and organizational variables. The researchers utilized qualitative and analytical descriptive approach methodologies that match the nature of the study. The researcher used a questionnaire as a tool for collecting secondary data. The research population consists of (958) academic staff and the sample consists of (320) academic staff, who were chosen in a stratified, randomly method. There were (309) respondents representing (97%) out of the distributed questionnaires and the researcher used the statistical program SPSS to analyze the data collected and to get the results of the research. The results show that the academic staff at the Palestinian universities in the Gaza governorates have a moderate level of job burnout in general, and there is significant evidence of the forward correlation between job burnout and the organizational variables. The research recommends that the universities should support and encourage scholarly researches on job burnout. The academic staff should participate in the decision-making process in order to tackle the staff’s feelings of the lack of fairness. Additionally, positive internal social interaction and with the rest of the community members should be encouraged. The academic staff should not overwork continuously and should give themselves time to enjoy family and social life besides professional life.

Mosa & Kalab (2012), Functional combustion and its impact on the performance of employees, the aims of this research is identifying the degree of combustion career suffered by administrators at the Emaar Association for Development and Rehabilitation and its impact on the performance of employees, as the aim of this study to uncover the relationship between the phenomenon of combustion career and some demographic variables (Age * Gender * Marital status * Education) and that by taking the sample was applied to the administrators at the Emaar Association for Development and Rehabilitation. . The sample results indicated the presence of high degrees of job combustion among all respondents in the three-dimensional components of the scale of emotional stress, and dull Humanitarian, and personal achievement. Research has shown there are differences between the sample groups on individual variables used by this research. The study put recommendations and suggestions to guide the attention of those concerned with the suffering of administrators and work to mitigate them.


The overall objective of this thesis work is to highlight the general principles of TQM involved and to point out how this approach has been and can be used to improve the quality of an academic institution. This objective is conducted towards an evaluation and assessment of the current quality work, the way in which this university is working with quality issues now, will be compared with a TQM approach and the weaknesses and strengthens of the quality work will be recognized.

Results of previous studies

although job burnout has been widely studied in various contexts, which discussed many aspects of the subject such as the relation between levels of burnout and job satisfaction(Dioaa 2019), the impact of employee engagement and happiness on burnout (Nivethitha 2019), the impact of job satisfaction on the success of organizations (Rafsh & Alrabeay 2018) The Role of Quality of working life in the reduction of Job Burnout ( Marwan 2016) ……etc.

All previous studies dealt with job burnout, its causes, and its effects on workers in institutions. The results of previous studies proved that there is a relationship between job fatigue for academic workers in universities and organizational changes, “job fatigue and job burnout” is one of the most important reasons for the resignation of many employees. The main reason behind reaching the stage of “functional
combustion" is the imbalance between the inputs and the outputs, that is, the individual gives more to his work than he takes from it and neglects his personal life.

This study differs from previous studies because it dealt with the relationship between ineffective methods of applying quality management and functional combustion in Arab universities.

**Study Hypotheses**

The study based on the following main assumptions:

**Firstly**, "There is a significant correlation relationship between the ineffective application of quality and the presence of a number of negative aspects that cause functional combustion of faculty members in Arab universities.

**Secondly**, "There is a significant correlation between the ineffective application of quality and the emotional stress of university faculty members.

**Third**, "There is a significant correlation relationship between the ineffective application of quality, stability and safety for faculty members in universities.

**Fourth**, "There is a significant correlation between the ineffective application of quality and the professional progress of university faculty members

**Research Limits**

The study was limited to a sample of 300 faculty members from various Arab universities, with different ages, countries, occupational degree, and number of years of experience.

**Research Methodology**

To implement the research and test its hypotheses, the research adopts the following procedures:

**Method of study:**

The study adopted the descriptive survey method of random sample method that chosen within a set of determinants, and a special questionnaire has been designed for distribution to this sample. This sample includes a set of various and interrelated questions, as well as in addition to the observation and analysis of digital quantitative data obtained from during the compilation of questionnaires.

The researchers adopted the method of random sample survey that is chosen within a set of determinants that represent: gender, age, educational level, academic degree, number of years of experience among faculty members out of the total staff of Arab universities.

**Data collection tools and methods**

**Theoretical framework (descriptive statistical approach)**

It represented in various references and library holdings, including books, periodicals and appropriate sites on all relevant sites related to this topic on the Internet in addition to collecting data from the reality of publications and studies issued by seminars, forums and scientific conferences.

**Secondary data - and primary data**

The researchers relied on a set of secondary data necessary to achieve goals from its various sources. The most important of these sources are Arab and foreign references, scientific journals, and periodicals, published and unpublished research for entities related to the field of research as well as university reports in this regard.

**Initial data**

The primary data necessary to achieve the research objectives added in addition to the secondary data. Accreditation obtained in obtaining the primary data through the survey list, which directed to a random sample from all faculty members in Arab universities. A survey list designed as a research tool to measure study variables. A Five - Point Likert Scale was used so that abstract descriptive concepts can be converted into quantitative values that are easy to subject to statistical analysis and study hypotheses. The community and sample of the research consists of 300 faculty members, the questionnaire was sent to them through messages and their distribution was as follows:
Data analysis methods (statistical approach)

Statistical analysis of the data is done using the Statistical Package for the Social Science (SPSS/PC+), which was to achieve the goals of scientific research, and will use the following statistical methods to analyze the data of the research:

1. Calculating the Descriptive Statistic Measures to describe the study categories based on the percentages and to arrange the study variables according to their relative importance based on the arithmetic mean and standard deviations.

2. Analysis of Variance (ANOVA) to test the differences between the averages of the study categories about the variables.

3. Simple Regression analysis to test the effect of each independent variable individually on the dependent variable.

**Practical study:**

<table>
<thead>
<tr>
<th>Lecturer</th>
<th>Assistant Professor</th>
<th>Associate Professor</th>
<th>Professor</th>
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<td>36</td>
<td>186</td>
<td>36</td>
<td>42</td>
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<td>62%</td>
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<td>14%</td>
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<table>
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<th>Male</th>
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<table>
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<th>Professor</th>
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<tr>
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<td>19</td>
</tr>
<tr>
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<td>63%</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>Male</td>
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<td>88</td>
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<tr>
<td>10%</td>
<td>61%</td>
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<td>17%</td>
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<table>
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<th>10 – 15 years</th>
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<td>62</td>
<td>176</td>
<td>26</td>
</tr>
<tr>
<td>12%</td>
<td>%21</td>
<td>%59</td>
<td>%8</td>
</tr>
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</table>

<table>
<thead>
<tr>
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<th>Academic Administrative</th>
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</thead>
<tbody>
<tr>
<td>192</td>
<td>108</td>
</tr>
<tr>
<td>64%</td>
<td>%36</td>
</tr>
</tbody>
</table>

Results of data analysis

The results related to the extent of the existence of an actual relationship between the ineffective application of quality and the presence of a number of negative phenomena that cause job combustion for faculty members.
The following table (1) shows the accounting averages, standard deviations, and the order of relative importance of the estimates of the members of the study sample about the extent of the actual relationship.

Table (1)

<table>
<thead>
<tr>
<th>First Phrases</th>
<th>Axis</th>
<th>Arithmetic mean</th>
<th>Standard deviation</th>
<th>Arrangement</th>
<th>Usage</th>
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<tr>
<td>1</td>
<td>4.24</td>
<td>0.63</td>
<td>First</td>
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</tr>
<tr>
<td>2</td>
<td>3.83</td>
<td>0.86</td>
<td>Forth</td>
<td>High</td>
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<tr>
<td>3</td>
<td>3.99</td>
<td>0.78</td>
<td>Second</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>3.97</td>
<td>0.79</td>
<td>Third</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>3.93</td>
<td>0.88</td>
<td>Fifth</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3.96</td>
<td>0.76</td>
<td></td>
<td>High</td>
<td></td>
</tr>
</tbody>
</table>

To answer the first question (the extent to which the members of the sample feel that there is an effective relationship between the ineffective application of quality and the reasons leading to job burnout)

Table (2) shows the results of all the arithmetic averages for the four dimensions indicate greater than the test criterion of (3) out of (5) degrees and these results indicate that the level of evaluation of the members of the study sample for the importance of the mentioned dimensions was positive.

This means that the members of the sample confirm the existence of a relationship effective between the ineffective application of quality and causes leading to functional combustion in a high degree from their point of view.

Results related to the extent of the transformation of these negative phenomena and the extent of their transformation into what is called emotional stress

Table (2)

<table>
<thead>
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<th>Axis Phrases</th>
<th>Arithmetic mean</th>
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<td>Average</td>
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<td>1.30</td>
<td>Average</td>
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<td>3</td>
<td>2.94</td>
<td>1.29</td>
<td>Average</td>
</tr>
<tr>
<td>4</td>
<td>2.76</td>
<td>1.34</td>
<td>Average</td>
</tr>
<tr>
<td>5</td>
<td>3.18</td>
<td>1.25</td>
<td>Average</td>
</tr>
<tr>
<td>6</td>
<td>3.11</td>
<td>1.38</td>
<td>Average</td>
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<tr>
<td>General mean and standard deviation</td>
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<td>1.47</td>
<td></td>
</tr>
</tbody>
</table>

To answer the second question (the extent to which these negative manifestations turn into what is called emotional stress)

Table (3) shows the results indicate that the general arithmetic average reached (3.05) with a standard deviation (1.47), which indicates that the evaluation of the sample members that there are some aspects of the shift to emotional stress in addition to the sample's lack of feeling of these aspects with an average degree inclined to the high degree.

As for energy depletion and emotional depletion, it has shown that it ranked first with an arithmetic average (3.27) and a standard deviation (1.24). In the question about (the state of boredom, boredom, and general frustration) it came in the last rank from the point of view of the study sample with an arithmetic average of (2.76) and a standard deviation (1.34).

In spite of this, all the results of all the averages calculated for the paragraphs that the level of evaluation of the members of the study sample for the feeling of stress (average) degree from their point of view

The results related to the extent of the matter reaching the teaching staff member feeling a sense of insecurity and job stability in the work and whether it reflected in his academic performance

Table (3)
Table (3) shows the results showed that (the university administration uses a clear mechanism concerned with the opinions and observations of workers)
came first on the scale of priorities for the evaluation of the study sample individuals with an arithmetic average of (3.91), and a standard deviation (0.87) while paragraph (2) related to the search for other opportunities because of my continuation In my current job, I am not guaranteed in the fourth rank with an arithmetic average (3.68), a standard deviation (1.05), and the results of all the arithmetic mean for the paragraphs as being greater than the selection criterion of (3) out of (5) degrees.
This indicates that the faculty member feels a kind of insecurity and stability Career at work and whether it was reflected my academic performance was (positive) and very high.

4. Results related to the results of the study

Results related to the extent of the professional progress of faculty members in universities

Table (4)

<table>
<thead>
<tr>
<th>Axis Phrases</th>
<th>S. Agree</th>
<th>Agree</th>
<th>neutral</th>
<th>Disagree</th>
<th>S. Dis.</th>
<th>Std. Dev.</th>
<th>Mean</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>18%</td>
<td>33%</td>
<td>24%</td>
<td>21%</td>
<td>4%</td>
<td>1.171</td>
<td>3.227</td>
<td>.000</td>
</tr>
<tr>
<td>2</td>
<td>26%</td>
<td>58%</td>
<td>14%</td>
<td>2%</td>
<td>0</td>
<td>0.667</td>
<td>4.111</td>
<td>.000</td>
</tr>
<tr>
<td>3</td>
<td>30%</td>
<td>46%</td>
<td>20%</td>
<td>4%</td>
<td>0</td>
<td>0.815</td>
<td>3.974</td>
<td>.000</td>
</tr>
<tr>
<td>4</td>
<td>14%</td>
<td>56%</td>
<td>18%</td>
<td>8%</td>
<td>4%</td>
<td>0.849</td>
<td>4.026</td>
<td>.000</td>
</tr>
<tr>
<td>5</td>
<td>45%</td>
<td>38%</td>
<td>12%</td>
<td>3%</td>
<td>2%</td>
<td>0.825</td>
<td>3.412</td>
<td>.000</td>
</tr>
<tr>
<td>6</td>
<td>52%</td>
<td>28%</td>
<td>12%</td>
<td>8%</td>
<td>0</td>
<td>1.096</td>
<td>2.780</td>
<td>.000</td>
</tr>
<tr>
<td>7</td>
<td>44%</td>
<td>38%</td>
<td>10%</td>
<td>6%</td>
<td>2%</td>
<td>1.014</td>
<td>3.326</td>
<td>.000</td>
</tr>
<tr>
<td>Overall average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.958</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table (4) shows the results of all the calculated arithmetic mean for the items indicated the degree of influence of the professional progress of faculty members in universities was (average) degree from their point of view

We note that the mean and the standard deviation of all the answers are close and within the normal distribution of the sample, and this indicates that there are no significant differences in the answers of the study sample.

In addition, if we compare these values with the general average of all the answers we find also close, as the value of sig for all the results of the study 0.000, this means that the results of the statistical analysis are significant for all the questions that were directed to the study sample.

Through question (1) we note that 42% of the sample size agrees that I participate in conducting research and research projects from the allocations of scientific research, and that 14% of the sample size does not agree to this and this means accepting the second hypothesis (2A) which states that "there is a relationship Significant correlation between ineffective application of quality and emotional stress to university faculty members. As for the endeavor to participate in conferences, 64% of the sample agreed to this, but with regard to participation in activities outside the university to serve the community, 58% of the sample supported that, and here comes the confirmation of accepting the first hypothesis, which was previously proven (1 A).

As for the sympathy with colleagues in developing curricula, 88% of the sample confirmed that they are already doing so.
With regard to the occurrence of clear deficiencies in the professional progress of faculty members, the approval rate ranged between 50% - 80% of the study sample and thus accepting the fourth hypothesis (4A) which states, "There is a significant correlation relationship between the ineffective application of quality and professional progress for faculty members in universities."

"With regard to seeking to participate in conferences and seminars and conducting research projects, 90% of the study eye supported their endeavor to do so, and this was evident by the shrinking role of universities in providing material and moral support and time for faculty members to play this role.

**We conclude from this that:**

The ineffective application of quality within Arab Universities has strongly reflected on all faculty members and has led to the emergence of forms of combustion for all faculty members as well as reducing the main role of the faculty member.

In addition to the emergence of some psychological problems and pictures of images of psychological and emotional stress and general frustration for the faculty members, this has been reflected in the injury with many cases of general stress and raising the level of blood pressure.

The role of universities in assigning faculty members to participate in cultural and scientific conferences as well as reducing the times allocated for conducting research has decreased significantly, and thus the faculty has increased reliance on seeking to participate and conduct research individually.

**Table (5)**

<table>
<thead>
<tr>
<th>Axis Phrases</th>
<th>Arithmetic mean</th>
<th>Standard deviation</th>
<th>Calculated (t)</th>
<th>Statistical significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>4.50</td>
<td>0.01</td>
<td>5.707</td>
<td>0.001</td>
</tr>
<tr>
<td></td>
<td>4.18</td>
<td>0.83</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.34</td>
<td>0.34</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.65</td>
<td>0.07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>4.00</td>
<td>0.01</td>
<td>2.434</td>
<td>0.071</td>
</tr>
<tr>
<td></td>
<td>3.84</td>
<td>0.99</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.87</td>
<td>0.74</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.25</td>
<td>0.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>4.70</td>
<td>0.01</td>
<td>6.401</td>
<td>0.001</td>
</tr>
<tr>
<td></td>
<td>4.16</td>
<td>0.85</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.90</td>
<td>0.64</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.10</td>
<td>0.14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>4.58</td>
<td>0.29</td>
<td>3.037</td>
<td>0.034</td>
</tr>
<tr>
<td></td>
<td>4.09</td>
<td>0.94</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.89</td>
<td>0.61</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.69</td>
<td>0.97</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table (5) shows there were no statistically significant differences at the level of significance ($\alpha = 0.05$) between the averages of the responses of the study sample individuals about the dimension (negative aspects that cause functional combustion).

Also that the value of the statistical significance of (0.071) is greater than the level of significance ($\alpha = 0.05$) the reasoning of individual acceptance is that there is a significant correlation relationship between the ineffective application of quality and the presence of a number of negative aspects that cause functional burnout for faculty members.

Indicators of Survey (1) of the Arab Universities State of Africa, including the scientific degree, according to scientific studies.

**Table (6)**

<table>
<thead>
<tr>
<th>Axis Phrases</th>
<th>Arithmetic mean</th>
<th>Standard deviation</th>
<th>Years of Experience</th>
<th>Calculated (t)</th>
<th>Statistical significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>4.31</td>
<td>0.41</td>
<td>Less than 5</td>
<td>1.043</td>
<td>0.357</td>
</tr>
<tr>
<td></td>
<td>4.12</td>
<td>0.81</td>
<td>10 - 15</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.36</td>
<td>0.78</td>
<td>15 - 10</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table (6) shows the absence of statistically significant differences at the level of significance ($\alpha = 0.05$) between the averages of the responses of the members of the study sample and the higher acceptance of individualism. Teaching at universities and its reflection on your participation in local and international conferences and seminars.

Conclusions

The results of the study showed the following:

- There are very negative aspects of the ineffective application of quality at the university, which is reflected by everyone who works in the university field at the level of Arab universities, which led to reducing the important scientific and pivotal role of the faculty member to become a primary preparatory of quality reports with exhausted periodicity.

- There is a removal from the types of boredom and general frustration, as well as unjustified fatigue resulting from the constant pressure of quality requests in a disturbing manner, which is called emotional stress.

- The faculty member faces several requirements between the basic tasks of the teaching function, the quality requirements, and professional development on the one hand, as well as the general depletion of mental, muscular, and psychological capabilities.

- $88\%$ of the study sample confirmed that, despite this, they are cooperating with colleagues in order to develop academic curricula and develop university work, despite bearing the intense pressure burdened with quality requirements.

- Many faculty members suffer from the lack of clarity in the university’s mechanism to take care of the opinions and observations of employees, as well as $76\%$ suffer from severe pressure because of direct interaction.

Recommendations

- For university, officials have to pay attention to studying the phenomenon of job combustion and to work out their causes and devise appropriate solutions to mitigate its spread.

- The study proposes identifying practical paths for the faculty member so that we have a teaching path, a scientific research path, development, quality path, a community service path.

- Suggested that these paths be optional for the faculty member, to choose the appropriate path for his talents and that for limited periods, two or four years, so that the faculty member can develop his skills in all academic tracks in general.

- Allocating financial rewards to the faculty members if he is assigned tasks related to quality management.

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Positive and negative effects facing university education by allowing foreign universities to invest and open branches in KSA - Vision 2030 (Case Study Arab East Colleges & Qassim University)

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Keywords
University education sector - investment in education - foreign universities - private universities - challenges facing university education.

Abstract
The aim of the study is to shed light on the negative and positive effects facing university education as a result of allowing foreign universities to open branches in KSA - Vision 2030, which represents a challenge for the private and governmental university education sector. Hence the main research question arises, "What are the effects of encouraging investment by foreign universities in the Kingdom on local universities in Saudi Arabia?"

Design/methodology/approach: - The study used the descriptive-analytical method, and questionnaires were distributed to the community sample of employees of the Eastern Colleges of Graduate Studies and the Qaseem University the researchers used E-view program for analysis.

Findings: - The study reached several results, most important among which are the positive effects of allowing foreign universities to open branches in the Kingdom of Saudi Arabia, achieving a qualitative shift in the path of Saudi universities on the basis of empowerment, excellence, quality, and contributing to the development of the educational and research process, raising the efficiency of the Saudi university education system and raising the efficiency of Expenditure, the development of financial resources for universities, and human capabilities, the presence of negative effects of students 'orientation to foreign universities and their reluctance to enter local universities, researchers recommend the allocation of a budget-oriented interested in the innovation, creativity, and scientific research. Activating the partnership between ministry of labor, higher education, and vocational training institutions. Encouraging the private sector to invest in technical education. following developed teaching strategies that focus on innovation and creativity for the future generations industry and the encouraging of new investments directed to scientific research in line with (Saudi Vision 2030).

1. Introduction
The path to success, survival and competitiveness in this changing world done through the preparation of an educated, conscious generation that believes in its role and the causes of its nation. Therefore, Opening and dealing with other civilizations has become an inescapable matter, and there is no point in intellectual and cultural closure, something that requires higher education universities and institutes to define mechanisms for dealing with challenges through a new vision that is consistent with the changes and the role expected of them.

2. Research problem
The Vision KSA 2030 came in support of investment in private university education as well as allowing the opening of foreign universities branches and investment within the Kingdom in the university education sector, which represents a threat to the private. and governmental university education sector. so came the main question for research "What are the positive and negative effects of encouraging investment to enter universities Foreign in the Kingdom of Saudi Arabia to local universities. In addition to the following sub-questions:
What are the motives for allowing entry to foreign universities in the Kingdom of Saudi Arabia?

What is the role of the private university education sector in raising the efficiency of the university education system - Vision 2030?

What is the role of the private university education sector while allowing entry to foreign universities?

What is the role of the university education sector in light of the standard of competition between local and private universities and foreign universities?

What are the economic challenges that will face local university education if foreign universities are allowed to enter?

3. The hypothesis of the study:

Based on the theoretical analysis presented here, the following hypotheses can be adopted

**H1.** Allow foreign universities to open branches in KSA has a positive impact on local universities in terms of raising the efficiency of the university education system.

**H2.** Allow foreign universities to open branches in KSA has a negative impact on local universities in terms of the increasing number of student registrations to foreign universities.

**H3.** Allow foreign universities to open branches in KSA has a negative impact on College graduates in terms of decline productivity in the many fields.

**H4.** Encouraging legislation and laws in Saudi Arabia, foreign universities to invest in technical education.

**The Theoretical Study**

**Investing in education**

Facing the rapid changes in the patterns of development and the culture of investment in education has taken place in our country with the hasty trend towards private university education. As for the West, this trend is still practiced with great caution and caution. Because private universities usually funded by investors are driven by a rapid profit incentive, not the incentive for scientific and academic development. Even universities with a respected academic level in the United States are still confined to public or private universities funded by not-for-profit NGOs, and not from investment companies. In the Arab world, we see that the element of financial investment is behind most, new private universities so that, the licenses of these universities are granted to commercial companies, whose purposes are to seek more investment and more profits.

**Justifications for interest in investing in education.**

The interest in education economics, especially in the last three decades of the last century, has increased significantly, and this interest is due to:

1 - Education is a capital commodity that contributes to reducing the number of workers, as it is known that the productivity of the educated person is more than the productivity of the uneducated worker, and education for society as a whole is a repository of intangible money that is more than the capital that is more than the most important capital.

2 - Investment in education is highly beneficial, as it is a special branch of human investment, as well as the cost in this type of investment, can produce high benefits, and also that educated individuals, and then to society As a whole, these benefits are represented in the form of higher rewards and increased productivity, as well as better leadership in society.

3 - Education has gained significant financial allocations both in the developing countries and the developed countries, despite the limited economic resources of the developing countries).

**The methods used to the total quality management for investment in education**

1. Strategy: It is for the senior leadership to have a development plan for the future of the institution in the next (3-5) years, and training is the most appropriate solution for the institution for that.

2. Structure: This means the restoration of a new system for improving education outputs and increases the effectiveness of education operations while adding new innovations and creativity that contribute to improving the education system's effectiveness.

3. Staff: It means treating workers appropriately and satisfying their needs through the use of the human relations method at work.
4. Skills: It means improving human capabilities and competencies through innovation and creativity continuous training in order to devise new competitive methods of education.

5. Shared values: It means creating a new education strategy organizational culture, identifying prevailing values and replacing them with a protective culture that is appropriate for continuous development in education.

**International experiences in investing in private university education**

It is noticeable that the liberalization of trade in education services in general, and higher education in particular, reap the benefits mainly of countries exporting these services, such as the United States, Britain, Canada, and Australia. It has become rare for a university in such countries to have no educational or research activity that extends across international borders. They are competing to provide human capital in order to obtain what is called the Knowledge-based Economy necessary to support the rapid growth in the knowledge-based economy and the urgent need for these countries to obtain large numbers of highly qualified people with distinct capabilities in specific disciplines. Also, previous experiences have shown that the government sector is not the only source of funding for higher education, as the private sector, local community donations, aid, and partnerships with the industrial sector play an important role in financing higher education.

**Contemporary challenges facing universities:**

- The absence of competition in the global markets for graduates of national universities.
- A decline in productivity in the many fields of graduates of national universities.
- The lack of national companies’ share in the global market due to the human resources resulting from the current university education patterns.
- Increased unemployment among graduates from national universities.
- Increasing the supply of university graduates from the demand for them.

**Literature**

Patrinos, (2018), Strong link between education and earnings, in the latter half of the 20th century that the link between education and earnings was established in theory and practice. The importance of the earnings benefit of schooling is vital for a variety of social issues. These include economic and social policy, racial and ethnic discrimination, gender discrimination, income distribution, and the determinants of the demand for education. This link between education and earnings is formally made in the calculation of the rate of return to investment in education.

Almankash & Aniq, (2017), their study tries to identify the status of the private sector investment in specialized academic programs at higher educational institutions in the Kingdom of Saudi Arabia. Furthermore, the research addressed some of the countries’ experiences related to investing in specialized academic programs by private sector in order to develop a suggested model for investing in specialized academic programs by private the researchers adopted the descriptive method. The research results revealed a weakness in the participation of funding the academic programs in higher educational institutions by the private sector. Moreover, the results pinpointed there are many obstacles that hinder investment in specialized academic programs. The research portrayed the profitable means that assisted in forming the suggested model and recommended that the higher educational institutions in the Kingdom of Saudi Arabia should keep pace with the requirements of the labor market on assigning the specialized academic programs, which encourage the private sector to invest.

Alshibany & Zabon, (2017), investment in education, No one disagrees that the oriented investments in education is the Pillar and the target of development and the pivot of human development, human of wealth is the first and the last important pillar to achieve an accelerated rate for the overall development of the country. The option of investing in human resource, must be a strategic choice in Iraq if we want to keep up with what the global economic developments and the pursuit of the technological revolution and take advantage of the informatics environment data. The investment in education is the most important source of promoting human development because the education is the key to the knowledge and development of communities through the development a real of human capital. In order to clarify this study were to search the importance of human development and the role of who’s played, and to clarify the importance of investment in education as an important source of income.
Salman, (2017), Investment in higher education and its relationship with the impact on the labor market / applied research in Iraqi private colleges Investing in higher education effected on the most important factors of production which the return an individual and social than economic returns found by searching the growing problem of unemployment, especially among the youth graduates, where the unemployment rate in 2010 (%50) of these high rates have led to increased migration of scientific minds graduate recently, to search for job opportunities outside of Iraq for not hiring functions and this is in vainclearin the human and financial resources lead to structural imbalances in the Iraqi economy . When calculating the correlation coefficient between the graduates and the unemployment rate where it reached (0.21) emerged from the results of the analysis that the more the number of students enrolled and graduates of whom the greater rates of unemployment in Iraq, especially ‘in the terms of humanitarian and administrative, should the permission of the alignment between undergraduate majors and needs of the labor market, while encouraging private sector investment in the field of technical education to achieve a balance between the numbers of graduates and their terms of reference and the labor market.

Sergio, (2015), Higher education is more popular than ever in Latin America and the Caribbean (LAC), where gross enrolment rates have risen dramatically – from 17% in 1991 to 43% in 2012, according to World Bank estimates. In Colombia, the rate increases closely paralleled that of the region, but in Chile, the increase was even more remarkable: from 21% to 71%. This turnaround reflected not only greater private investments in education, but also public policies aimed at boosting access, including greater financial support for students (Chile) and a geographical expansion of higher education institutions (Colombia). In the process, the mix of students in these institutions for both countries became much more inclusive – in other words, higher education is no longer just for the children of high-income families. the study result indicates that suggests that investing in higher education isn’t always profitable.

Shrin, (2012), Higher Education Investing brains between reality and expectations. The study aimed to shed light on investment in higher education, and the study reached investment in education that differs from investment in material capital, that there is a relationship between investment in the human element in terms of time and quality, and the return from this investment, and the study recommended the need to invest in science , As a culture of the present and the future, and invest in culture as the science of a comprehensive future.

Dahan, (2010), Educational investment in human capital, the aim of This research is to study the relationship between education and human capital, and to analyze the resources for financing educational investments and their trends, together with the role of human capital (accumulated by the educational investment) in economic growth, All this in a theoretical framework and empirical case for Algeria.

Goodman (2011) The study aimed to clarify the great role that the new partnership between industries and universities plays in diversifying the higher education sector, and the extent of transformation of public universities in Japan that have less than 20% of students in higher education, while getting 80% of the education budget. National Higher Education into independent bodies, the Japanese generally understood the value and importance of personal investment in higher education. The results concluded that the shift from the funding pattern based on the tradition of universities to a pattern of financing based on competition, led to the flow of more funds from government institutions and the industrial sector to a few universities interested in research.

Gharby, (2008), investment in education and Theory, this research focused on the analysis and study of the relationship between education, and economic system and the various schools of intellectual considered the relationship between education and economic development, in addition to the need for human resource development and how to extract revenue in investment education.

Marsikova, (2005), investigate the possibilities of investing in human capital in the financial market of the Czech Republic. In particular, the conditions for this investment would be different among individuals due to the difference of bequest amount and the credit market condition in financing the money for human capital investment or education. There is also a higher risk for possible investors in determining individuals' income and adverse selection, they use expected returns to education of the Czech higher education students as a benchmark for creating student loans and human capital contracts models. The financial market and institutions should offer different ways of financial assistance. However, the financial market of the Czech Republic is not prepared for this type of investment.
Almalky, (2003), The economic return on investment in university education in the Kingdom of Saudi Arabia, the study's objective is to measure the rate of economic returns for investing on university education in the Kingdom of Saudi Arabia. By utilizing the Internal Rate of Returns (IRR) method of estimation, the study found that the rate at the individual level is (6.67%) and at the social level is (2.77%). These results imply that investing on university education in the Kingdom of Saudi Arabia is economically feasible at the individual level, but not at the social level; that is due to high costs borne by the state in providing such service and to economic waste associated with it.

Summary of Literature
- Through listing previous studies, we note that studies that support the importance of investing in education also confirm some reservations and warning as:
  - The necessity of linking higher education with the industrial sector and creating new investments directed to scientific research, which will lead to more funds flowing from government institutions and the industrial sector to universities interested in research.
  - To achieve the public interest, the rights of members of society, and taking into account the interests of workers, the state must remain a partner in the ownership of the projects to be allocated.
  - The necessity of working on implementing reforms in the ways of financing higher education by rationalizing expenditures and developing legislation related to society's contribution to bearing part of the costs of higher education through the trend towards private education.
  - The lack of foundations and standards according to which private universities are classified, the low level of graduates of some colleges, the suffering of some practical colleges due to the lack of numbers of scientific and technical cadres, and the decrease in the total of the general secondary grades, which leads to student registration in private universities.

All previous studies discussed the importance of investing in education and the negative effects, but this is the first study that discussed the Positive and negative effects facing university education by allowing foreign universities to invest and open branches in KSA, Vision 2030.

Methodology
The study used the descriptive analytical approach, to measure Negative and positive effects facing university education by allowing foreign universities to open branches in KSA, Through the use of questionnaire, analyzed by the E-view program.

That was designed to scan this effect and analyze its data, to measure the economic challenges that will face local university education if foreign universities are allowed to enter.

The study samples
"The basic principle in scientific research is that it should be done on all members of the research community because this called for the validity of the results, but to choose a sample from them if this is not possible due to the large number of them, (Al-Assaf, 2003, p. 96). So, we chose the sample study consist of Arab East Collages & Qassim University in KSA. We distributed a questionnaire and we obtain 405 responses.

Study Tool
This section includes an explanation and a description of the study and investigation of its validity and consistency. It also includes an explanation of the statistical methods used in the study, we used a questionnaire, it includes 27 questions divided into two parts:
A: The first part of the questionnaire was designed to identify the characteristics of the sample and determine the extent of its impact on the results of the study.
B: Design of the second part of the questionnaire to include some paragraphs related to the study axes, and the questions were divided into three main axes:
  - The first axis: Negative and positive effects facing university education by allowing foreign universities to open branches in KSA.
  - The second axis: What are the motives for allowing entry to foreign universities in the Kingdom of Saudi Arabia.
  - Third axis: the economic challenges that will face local university education if foreign universities
are allowed to enter in KSA.

Content Validity

First: Test Validity: To identify the validity of the study in measuring what was put to measure was presented to (3) members of the faculty of Arab East Colleges also, Economics and Management - Qassim University, to know the extent of compatibility with the objectives of the study and the questions that try to answer them and in the light of their opinions It was agreed to finalize the study tool.

Second: Internal consistency: After verifying the Test Validity of the study, it was applied in the field and the calculation of the correlation coefficient for the internal truth of the questionnaire, where the correlation coefficient was calculated between the degrees of all the terms of the questionnaire.

Internal consistency for the first level: There is a Negative and positive effects facing university education by allowing foreign universities to open branches in KSA. Table (1) Correlation coefficients between the degrees of each of the first axis statements from the overall degree of the axis.

<table>
<thead>
<tr>
<th>First Axis Phrases</th>
<th>Correlation Coefficient</th>
<th>First Axis Phrases</th>
<th>Correlation Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.651</td>
<td>6</td>
<td>0.821</td>
</tr>
<tr>
<td>2</td>
<td>0.815</td>
<td>7</td>
<td>0.755</td>
</tr>
<tr>
<td>3</td>
<td>0.741</td>
<td>8</td>
<td>0.531</td>
</tr>
<tr>
<td>4</td>
<td>0.616</td>
<td>9</td>
<td>0.879</td>
</tr>
<tr>
<td>5</td>
<td>0.671</td>
<td>10</td>
<td>0.891</td>
</tr>
</tbody>
</table>

Source: Based on questionnaire, 2019-2020.

Internal consistency for the second level: There are the motives for allowing entry to foreign universities in the Kingdom of Saudi Arabia. Table (2) Correlation coefficients between the degrees of each of the second axis statements from the overall degree of the axis.

<table>
<thead>
<tr>
<th>Second Axis Phrases</th>
<th>Correlation Coefficient</th>
<th>Second Axis Phrases</th>
<th>Correlation Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.622</td>
<td>5</td>
<td>0.675</td>
</tr>
<tr>
<td>2</td>
<td>0.741</td>
<td>6</td>
<td>0.877</td>
</tr>
<tr>
<td>3</td>
<td>0.832</td>
<td>7</td>
<td>0.825</td>
</tr>
<tr>
<td>4</td>
<td>0.894</td>
<td>8</td>
<td>0.678</td>
</tr>
</tbody>
</table>

Source: Based on questionnaire, 2019-2020.

Internal consistency for The Third level: There is an economic challenges that will face local university education if foreign universities are allowed to enter. Table (3) Correlation coefficients between the degrees of each of the third axis statements from the overall degree of the axis.

<table>
<thead>
<tr>
<th>Third Axis Phrases</th>
<th>Correlation Coefficient</th>
<th>Third Axis Phrases</th>
<th>Correlation Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.891</td>
<td>6</td>
<td>0.815</td>
</tr>
<tr>
<td>2</td>
<td>0.785</td>
<td>7</td>
<td>0.737</td>
</tr>
<tr>
<td>3</td>
<td>0.681</td>
<td>8</td>
<td>0.797</td>
</tr>
<tr>
<td>4</td>
<td>0.755</td>
<td>9</td>
<td>0.896</td>
</tr>
</tbody>
</table>

Source: Based on questionnaire, 2019-2020.

It is clear from Table (1), (2), (3) that the values of the correlation coefficients between the degree of all the terms and the total score of the identification axes all take positive values, with statistical significance at a mean level (0.01), which means a high degree of internal consistency and correlation reflects a high degree of honesty for the scale paragraphs.

Third: Reliability: to measure the stability of the study instrument, we use the (Cronbach’s alpha coefficient α), where stability is intended to give the same results if repeated use. (Wathen, 2013). Table (4) Values of the Cronbach’s alpha coefficients.

<table>
<thead>
<tr>
<th>Questionnaire axes</th>
<th>Number of paragraphs</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
</table>

Conference proceedings of the Centre for Business & Economic Research (CBER), ICBED-2020, August
There are a positive and negative effects facing university education by allowing foreign universities to open branches in KSA.

There are the motives for allowing entry to foreign universities in the Kingdom of Saudi Arabia.

There is an economic challenge that will face local university education if foreign universities are allowed to enter.

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Questions</th>
<th>Average</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are a positive and negative effects facing university education</td>
<td>by allowing foreign universities to open branches in KSA</td>
<td>10</td>
<td>0.812</td>
</tr>
<tr>
<td>There are the motives for allowing entry to foreign universities in the</td>
<td>Kingdom of Saudi Arabia.</td>
<td>8</td>
<td>0.755</td>
</tr>
<tr>
<td>There is an economic challenge that will face local university education if foreign universities are allowed to enter.</td>
<td></td>
<td>9</td>
<td>0.835</td>
</tr>
<tr>
<td>Reliability</td>
<td></td>
<td>27</td>
<td>0.814</td>
</tr>
</tbody>
</table>

Source: Based on questionnaire, 2019-2020.

It is clear from Table (4) that the coefficient of persistence of the α Cronbach’s alpha coefficient was about 0.812, 0.755, 0.835, respectively. (0.814), all of which have high stability values, indicating that the questionnaire has a high degree of stability, and therefore can be relied upon in the field application of the study.

Statistical methods used in the study

Statistical methods used in the study included 3 axes:

1. The existence of sufficient knowledge of the role of branches foreign universities shows that 43.4% do not have a great deal of knowledge of the role of the branch’s foreign universities, while 24.2% have a weak knowledge. The results of the five-digit Likert scale in this evaluation indicated that it scored 3.45 (medium) with a standard deviation of 1.12, While 31.4% had sufficient knowledge of the importance of the role of the branches foreign universities. The results of the five-level Likert scale in this evaluation indicated that it obtained 3.27 (medium) with a standard deviation of 1.14.

2. For the university's contribution of the achieving a qualitative shift in the path of Saudi universities on the basis of empowerment, excellence, the results of the study showed that 33.8% believe that the university does not have a contribution in the empowerment, while 29% of the sample believes that this contribution is weak. The evaluation obtained 2.52 (medium) with a standard deviation of 1.02.

3. The effective contributions to the development of the educational and quality, results showed that 95.1% of the sample, believe that it is Strong, with an average capacity of 4.2 from the Likert scale (Strong) with a standard deviation of 1.01. For the role of the effective contributions to the development of the research process, 20.8% believe it to be medium, 16.2% think it is weak, and the Rijkaard score averaged 2.14 with a standard deviation of 1.004. Results showed that 20.5% of the research sample had weak information about the effective contributing about branches foreign universities with a weighted average of the Likert scale (0.9) with a standard deviation of 0.025.

4. As for the negative effects, there is a preference for the Saudi student to go towards foreign universities in the Kingdom, the results of the study showed that 88.1% believe that foreign universities are attractive to Saudi students, With a standard deviation of 0.321, also There is a preference among students in the countries neighboring Saudi Arabia to go towards foreign universities in the of Saudi Arabia. the study showed that 64.2% believe that foreign universities are attractive to students in the countries neighboring Saudi Arabia, With a standard deviation of 0.681

Table 5: Negative and positive effects facing university education by allowing foreign universities to open branches in KSA

<table>
<thead>
<tr>
<th>first axis Questions</th>
<th>Questions</th>
<th>Average</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The existence of sufficient knowledge of the role of branches foreign universities.</td>
<td>0.43</td>
<td></td>
<td>1.12</td>
</tr>
<tr>
<td>sufficient knowledge of the importance of the role of the branch’s foreign universities.</td>
<td>0.31</td>
<td></td>
<td>1.14</td>
</tr>
<tr>
<td>university's contribution of the achieving a qualitative shift in the path of Saudi universities on the basis of empowerment</td>
<td>0.33</td>
<td></td>
<td>1.02</td>
</tr>
</tbody>
</table>
The university’s contribution of the achieving a qualitative shift in the path of Saudi universities on the basis of excellence 0.34 1.02

The effective contributions to the development of the educational. 0.95 1.01

The effective contributions to the development of the quality. 0.94 1.00

The role of the effective contributions to the development of the research process. 0.21 1.004

The information about the effective contributing about branches foreign universities. 0.21 0.025

There is a preference for the Saudi student to go towards foreign universities in the Kingdom 0.88 0.321

There is a preference among students in the countries neighboring Saudi Arabia to go towards foreign universities in the of Saudi Arabia. 0.64 0.681

Source: Based on questionnaire, 2019.

The second axis: What are the motives for allowing entry to foreign universities in Saudi Arabia. Eight questions were allocated to analyze the problems and obstacles faced. Table (6) shows that the most important motives faced by foreign universities in the Kingdom of Saudi Arabia.

1. For the economic motivation to allow the entry of foreign universities in the Saudi Arabia., the results of the study showed that 75.1% believe that the university does have a contribution in the empowerment, with a standard deviation of 0.361, also for the social motivation to allow the entry of foreign universities in the Saudi Arabia., the results of the study showed that 77% believe that the university does have a contribution in the empowerment, with a standard deviation of 0.424.

2. Results showed that 80.5% of the research sample shows that the branches foreign universities necessary to raising the efficiency of the Saudi university education system with a weighted average of the Likert scale (2.8) with a standard deviation of 1.095

3. 67% of the sample respondents believe that the branches foreign universities have weakly contribution to the development of financial resources for universities with a standard deviation of 1.15

4. As for the emergence of new investments directed to scientific research in line with (Saudi Vision 2030), 98% of the respondents saw this as strong, and the Likert score was at an average of 4.1 with a standard deviation of 1.21, and 89% saw its necessary to develop human capabilities. The Likert scale achieved an average score of 3.9 and a standard deviation of 1.08

5. 65% believe that Public and private universities support the idea of setting up branches of foreign universities in Saudi Arabia, with a standard deviation of 0.0821, also 61% believe that Public and private universities find that the idea of setting up branches of foreign universities in Saudi Arabia raises the quality of education outcomes with a standard deviation of 0.0824.

Table 6: the motives for allowing entry to foreign universities in Saudi Arabia

<table>
<thead>
<tr>
<th>Second axis Questions</th>
<th>Average</th>
<th>St. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is an economic motivation to allow the entry of foreign universities in the Saudi Arabia.</td>
<td>0.75</td>
<td>0.361</td>
</tr>
<tr>
<td>There is a social motivation to allow the entry of foreign universities in the Saudi Arabia.</td>
<td>0.77</td>
<td>0.424</td>
</tr>
<tr>
<td>the branches foreign universities necessary to raising the efficiency of the Saudi university education system.</td>
<td>0.81</td>
<td>1.095</td>
</tr>
<tr>
<td>the branches foreign universities have contribution to the development of financial resources for universities.</td>
<td>0.67</td>
<td>1.151</td>
</tr>
<tr>
<td>Allowing entry to foreign universities in Saudi Arabia is working on the emergence of new investments directed to scientific research in line with (Saudi Vision 2030).</td>
<td>0.98</td>
<td>1.21</td>
</tr>
<tr>
<td>Allowing entry to foreign universities in Saudi Arabia is necessary to develop human capabilities.</td>
<td>0.89</td>
<td>1.08</td>
</tr>
<tr>
<td>Public and private universities support the idea of setting up branches of foreign universities in Saudi Arabia</td>
<td>0.65</td>
<td>0.821</td>
</tr>
<tr>
<td>Public and private universities find that the idea of setting up branches of foreign universities in Saudi Arabia raises the quality of education outcomes</td>
<td>0.61</td>
<td>0.824</td>
</tr>
</tbody>
</table>

Source: Based on questionnaire, 2019.
The Third axis: Challenges facing university education by allowing foreign universities to open branches in Saudi Arabia.

- The number of nine questions was allocated to analyze the economic challenges that will face local university education if foreign universities are allowed to enter in KSA, Table 7 shows that:

1. There is a positive impact on local universities in terms of raising the efficiency of the university education system when opening new branches for foreign universities in the KSA., the results of the study showed that 75% believe that there is a positive impact on local universities when opening new branches for foreign universities in KSA, with a standard deviation of 0.341, also For the social motivation to allow the entry of foreign universities in the Saudi Arabia., the results of the study showed that 67% believe that the branches for foreign universities does have a contribution in the Social and cultural development, with a standard deviation of 0.514.

2. There is a negative impact on College graduates in terms of decline productivity in the many fields when opening new branches for foreign universities in KSA., the results of the study showed that 55% believe that there is a positive impact on local universities when opening new branches for foreign universities in KSA, with a standard deviation of 2.01.

3. 75% of the sample respondents believe that There is a positive impact on local universities and facing economic challenges in higher education if foreign universities are allowed to open branches in the Kingdom of Saudi Arabia, with a standard deviation of 0.515. And 90% of the sample find that the most important economic challenges facing local universities, is the high cost of the university education service and also the low return on investment in the university education sector, with a standard deviation of 0.522.

4. 89% of the sample respondents believe that Local universities ready to compete with foreign universities inside the kingdom with a standard deviation of 0.341.also believe that opened the branches foreign universities necessary Raising the quality of Saudi university education and comparing it with international learning, the results of the study showed that 91% believe that its necessary Raising the quality of Saudi university education and comparing it with international learning, with a standard deviation of 0.398.

5. For the economic challenges facing private and public university education when opening branches of foreign universities in the of Saudi Arabia., the results of the study showed that 85.1% believe that the university does have a contribution in the empowerment, with a standard deviation of 0.0161, also For the social challenges facing private and public university education when opening branches of foreign universities in the of Saudi Arabia., the results of the study showed that 87% believe that the university does have a contribution in the empowerment, with a standard deviation of 0.512.

Table 7: the economic challenges that will face local university education if foreign universities are allowed to open branches in Saudi Arabia.

<table>
<thead>
<tr>
<th>Third axis Questions</th>
<th>Average</th>
<th>standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is a positive impact on local universities in terms of raising the efficiency of the university education system when opening new branches for foreign universities.</td>
<td>0.75</td>
<td>0.341</td>
</tr>
<tr>
<td>the branches for foreign universities do have a contribution in the Social and cultural development.</td>
<td>0.67</td>
<td>0.514</td>
</tr>
<tr>
<td>There is a negative impact on College graduates in terms of decline productivity in the many fields when opening new branches for foreign universities in KSA</td>
<td>0.55</td>
<td>2.01</td>
</tr>
<tr>
<td>There is a positive impact on local universities and facing economic challenges in higher education if foreign universities are allowed to open branches in the Kingdom of Saudi Arabia.</td>
<td>0.75</td>
<td>0.515</td>
</tr>
<tr>
<td>high cost of the university education service and also the low return on investment in the university education sector is the most important economic challenges facing local universities.</td>
<td>0.90</td>
<td>0.522</td>
</tr>
<tr>
<td>Local universities ready to compete with foreign universities inside the kingdom Raising the quality of Saudi university education and comparing it with international learning</td>
<td>0.89</td>
<td>0.341</td>
</tr>
</tbody>
</table>
Raising the quality of Saudi university education and comparing it with international learning. | 0.91 | 0.398

There are economic challenges facing private and public university education when opening branches of foreign universities in the Kingdom of Saudi Arabia | 0.85 | 0.161

There are social challenges facing private and public university education when opening branches of foreign universities in the Kingdom of Saudi Arabia. | 0.87 | 0.512

Source: Based on questionnaire, 2019.

**Conclusions**

Allowing foreign universities to open branches in the Kingdom of Saudi Arabia achieves a qualitative shift in the path of Saudi universities on the basis of:

- Empowerment, excellence, and quality contributing to the development of the educational and research process raising the efficiency of spending and developing the financial resources of universities and human capabilities, in line with (vision Saudi Arabia 2030), especially desire students and parents to obtain excellence education.
- This decision will help to establish a competition standard for local universities, which will increase competitiveness in raising the efficiency of the university education system.
- Increase competition between local universities to raise the efficiency of the university education system to reach international academic education level.
- Raising the efficiency of the development of human capabilities, creativity, innovation, financial resources, and expenditure, in Saudi universities.
- Diversity of different cultures inside the Kingdom.
- Higher education institutions face a threat through, desire students who will a registration in foreign universities.
- Simulating Saudi universities with foreign universities, which helps to raise the quality of learning outcomes.
- Reducing students' desire to travel abroad to join foreign universities.
- Reducing the emigration of skilled human minds.
- It will also contribute to providing many options for students who don't want to travel abroad or cannot afford its costs.
- Moreover, this decision opens the door for many students in neighboring countries to move to Saudi Arabia in order to complete their education.
- Saudi Universities will seek to raise the development of Governance, quality education and, provision of services quality, equality, and alignment between education outcomes and labor market need.

**Recommendations**

- Saudi Universities must Create a new education strategy continuously depends on: - Governance, development, Innovation, Creativity, quality education and, provision of services quality, equality, and alignment between education outcomes and labor market needs.
- It is necessary to raise awareness of the importance of supporting new branches of foreign universities in the Kingdom of Saudi Arabia.
- The necessity of enacting new legislation and laws that encouraging, motivation and facilitate work foreign universities to open branches to invest in technical education in the Kingdom of Saudi Arabia.
- The establishment of a committee at the Ministry of Higher Education presenting all information about foreign universities.
- There is an urgent need to find some kind of contribution to continuous coordination and development between all local universities and foreign universities.
- Improving human capabilities and competencies through innovation and creativity continuous training in order to devise new competitive methods of education.
- Creating a new education strategy organizational culture, identifying prevailing values and replacing them with a protective culture that is appropriate for continuous development in education.
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https://translate.google.com/#view=home&op=translate&sl=ar&tl=en&text
Teaching all students: A holistic and collaborative approach to increasing student success

Veronica Udeogalanya
Department of Economics and Finance
Medgar Evers College, City University of New York, USA

Abstract
All students who enroll have success as their main goal. However, most institutions focus their resources on programs for students on honor roll, Dean’s list and those progressing academically. Little resources remain for those students who stumble. In 2015, 36.2% of white students, 22.5% of black students, and 15.5% of Hispanic students had completed four years of college. This shows a 13.7% gap between black and white students and a 20.7% gap between Hispanic and white students. How do we close this gap in educational completion? If we believe that all students can learn, there needs to be educational equity and the development of a framework for instruction and assessment of all students’ learning outcomes. This paper represents an exploratory fundamental and qualitative research that aims to present a refocus on the role of faculty in teaching and learning to reach all students in classrooms. This paper examines a holistic and collaborative approach to increasing student success using evidence-based qualitative analysis of best practices. This approach has four component parts. Part 1 is the Holistic Component that involves engaging all students in the institution; communicating purposefully to them in a timely manner; and providing all-inclusive comprehensive support services (HC). This part develops and implements measurable benchmarks that motivate, encourage, and enable all students. Part 2 is the Collaborative Component which involves bringing six working teams together: faculty, industry, current majors, alumni, career services, and the community (CC). This part engages the team in maintaining a living curriculum that reflects the ever-changing global economy. Part 3 is Celebration of Student Success (CSS) which entails the collaborative team owning each milestone, reaffirming teamwork while building trust and persistence. Part 4 is the Assessment of Student Progress (ASP) using the holistic and collaborative approach. The paper concludes that holistic and collaborative teamwork that includes, respects, and empowers all students is the key to reducing the college completion gaps that exist among blacks and Hispanic students.

Introduction
Student success is a crucial component of higher educational institutions and has been an essential criterion for assessing the quality of student outcomes. There have been several definitions of student success in the literature (Kuh et al. 2006). Also, the concept of academic success has generally been associated with the attainment of summative assessments, as stipulated by learning outcomes. However, York et al. (2015) argue that the meaning of this term is debatable as it has an ‘amorphous’ identity, depending on varying subjective perspectives. Indeed, while academic success can be attributed to the attainment of knowledge demonstrated through high assessment grades, it can also refer to the graduates’ capacity to secure a professional role related to their degree. After analyzing the literature on the use of this terminology in different subject fields, York et al. identify six elements which define it namely: academic achievement, engagement in educationally purposeful activities, satisfaction, acquisition of desired knowledge, skills and competencies, persistence, attainment of educational outcomes, and post-college performance (p. 5). Furthermore, Education Data Mining (EDM) has been used for predicting a variety of crucial educational outcomes such as performance, success, satisfaction, and achievement (Calvet Llinan & Juan Perez, 2015; Dutt et al. 2017; Anoopkumar & Rahman, 2016; Martins et al. 2019; Willems et al. 2019). Despite all these publications, it is still difficult for faculty to effectively apply known techniques to specific academic problems. How can faculty better predict academic success of their
students? Some researchers believe that the creation of a systematic process, where all related choices and constraints are comprehensively analyzed for improvements is the key. What is the role of faculty in the creation of such a systematic process that focuses on all enrolled students? How can such a system provide faculty with consistent information that monitors their student progress and unique challenges faced by the different groups of students? Research shows that the answer may lie in the development of a comprehensive database (Hamoud et al., 2018) addressing practical and measurable strategies in both academic success(retention and graduation) and the acquisition of soft skills that can advance student success.

All students who enroll have success as their main goal. However, most institutions focus their resources on programs for students on honor roll, dean’s list and those progressing academically. Little resources remain for those students who stumble. In 2015, 36.2% of white students, 22.5% of black students, and 15.5% of Hispanic students had completed four years of college. This shows a 13.7% gap between black and white students and a 20.7% gap between Hispanic and white students. How do we close this gap in educational completion? If we believe that all students can learn, there needs to be educational equity and the development of a framework for instruction and assessment of all students’ learning outcomes. This paper developed a four-part holistic and collaborative approach to increasing student success using evidence-based qualitative analysis of best practices. Part 1 is the Holistic Component that involves engaging all students in the institution; communicating purposefully to them in a timely manner; and providing an all-inclusive comprehensive support services (HC). This part develops and implements measurable benchmarks that motivate, encourage, and enable all students. Part 2 is the Collaborative Component which involves bringing six working teams together: faculty, industry, current majors, alumni, career services, and the community (CC). This part engages the team in maintaining a living curriculum that reflects the ever-changing global economy. Part 3 is Celebration of Student Success (CSS) which entails the collaborative team owning each milestone, reaffirming teamwork while building trust and persistence. Part 4 is the Assessment of Student Progress (ASP) using the holistic and collaborative approach. The paper concludes that holistic and collaborative teamwork that includes, respects, and empowers all students is the key to reducing the college completion gaps that exist among blacks and Hispanic students. In addition, based on the sub-theme of this year’s conference “Rethinking Business Education” this paper believes that faculty can teach all students by building trust in the classroom and modeling trustworthiness in their relationships with students. This is because all students need to be trained to participate in the labor market not just the most brilliant.

The rest of this paper consists of five sections. Section 2 reviews some of the literature on student success that informed this author. Then, section 3 presents the methodology implemented. Section 4 explains the model developed for achieving increasing academic success for all enrolled students. Section 5 discusses the various strategies mentioned. Finally, section 6 concluded this paper and suggests possible future work.

2. Literature Review

This paper reviewed several researches on college students’ success, the challenges low-income students face to succeed in college, and the support mechanisms in place for them to overcome these challenges. This paper shows that there has also been an immense number of literature and research highlighting the relationship between faculty – student relationships and increases in academic success. Moreover, the growing body of research concerned with faculty effectiveness has reinforced the notion that specific characteristics and behaviors matter in teaching, in terms of student achievement and other desirable outcomes (Muijs et al., 2011). Wilson et al., 2015 focused on the teacher-mentor-adviser model by highlighting the role of student-faculty interactions, making student’s discovery of knowledge pivotal instead of being receptacles of knowledge. The emphasis here is on rethinking modes of teaching by faculty as well as building innovative teaching into tenure and promotion decisions. Linking teaching effectiveness to student outcomes assessment and focusing on mastery to evaluate learning; all the time maintaining consciousness of own academic responsibilities and progress. Perez et al., 2014 emphasized the positive effects of explicit incorporation of identity development within faculty pedagogical process by focusing students on their own personalized learning processes. By so doing, faculty can engage students deeply in their content. They cautioned faculty not to assume that the students will self-navigate...
to available services and are able to maximize the use of what is available to them. They further argue that this is a costly assumption and Purdie and Rosser, 2011 advocated intentionally linking available student support services to the classroom through communication. Furthermore, Maton et al., 2016 focused on the power of integrating community-building experiences with student campus experiences by inviting key campus stakeholders, professional in the relevant fields to visit the classrooms. Only about 35 percent of first-time, full-time college students who plan to earn a bachelor's degree reach their goal within 4 years; 56 percent achieve it within 6 years (Adelman, 2006). For these and related reasons, the American College Testing Program (2006) declared that the nation has "a college readiness crisis." Also, student engagement is another indicator of student success that has received considerable attention in recent years (kuh 2006; Hurtado et al. 2012). A substantial body of research indicates that once students start college, a key factor to whether they will survive and thrive in college is the extent to which they take part in educationally effective activities. In this this paper, student success is defined as academic achievement, engagement in educationally purposeful activities, satisfaction, acquisition of desired knowledge, skills and competencies, persistence, attainment of educational objectives and post college performance in the world of work.

A further review of the research shows that only 21 percent of African American high school graduates, 33 percent of Hispanics, and 33 percent of students from families with annual incomes below $30,000 have college-level reading skills (ACT 2006). Underrepresented populations have lower odds of completing high school and enrolling in college (Hearn 2006; Estrada et al. 2016). The high school completion rates of African Americans (77 percent) and Latinos (57 percent) trailed Whites (82 percent). Latino and African American college participation rates were equal at 35 percent, whereas the White participation rate was 43 percent (Finley et al. 2013). Bauman et al. 2005 reported a similar pattern for African American students, who are more likely to attend public high schools with high minority concentrations from low socioeconomic communities. Enrollment and graduation rates suggest that the odds are stacked against first-generation students succeeding in college (Baum and Payea 2004). Forty percent of first- generation students score in the lowest quartile of ACT or SAT (ACT 2006). They are also more likely to enroll at public universities and attend part time (ACT 2006) and were twice as likely to take remedial courses (21 percent vs 10 percent) after controlling for high school rigor (Astin 1993). A rigorous high school curriculum can narrow the college persistence gap for first-generation students (Dadgar et al. 2013) especially if they graduate high school in the top quartile. These students perform pretty much like other students in terms of their college grades (3.0 to 3.1 GPA) and remedial coursework (only 4-5 percent take such course). But on balance, even after controlling for socioeconomic status, institution type, and enrollment patterns, first generation status still has a negative effect on degree completion. For this host of reasons, no wonder first generation college students are more likely to drop out (73 percent to 60 percent) or to stop out of college for a period of time (19 percent to 8 percent) (Dadgar et al. 2013). First generation status also has a negative influence on pursuing a doctoral degree (Chen 2015). African American males and females remain underrepresented in most doctoral programs, especially in the sciences and engineering (Brane 2019). Students' chances of obtaining a post-baccalaureate degree appear to be enhanced by interactions with faculty, academic achievement, and academic involvement (Freeman et al. 2007).

This paper concurs with these researchers that faculty play a key role in student persistence. However, many of these researchers believed that if these gaps continue, educational attainment for African Americans and Latinos in the United States could actually further decline over the next 15 years if we are unable to close such gap between education levels of whites and other racial and ethnic populations (National Center for Public Policy and High Education 2005). These low participation rates may explain why college dropout rates of certain racial, ethnic, and socioeconomic groups remain relatively high. Persistence studies tend to focus on institutional factors and programs that promote continuous student enrollment. However, a key factor is the effort students put forth, especially the amount of time they spend studying (Astin 1993; Bailey and Leinbach, 2005). As noted earlier, first generation students are less likely to graduate because they earn fewer credits in their first year, take more remedial courses, are more likely to repeat courses, tend to major in vocational and technical fields, are less likely to choose a major in the first year of college (Asif 2015), and are less likely to live on campus.
In addition, gift aid in the form of scholarships and grants and work-study as contrasted with loans are associated with higher retention and graduate rates (Reardon 2013), especially for low-income and minority students. Fifty-five percent of students who receive financial aid persist, which is greater than nonrecipients and about even when controlling for academic ability (Hearn 2015). Grants have a strong effect on low-income and minority student’s performance. Providing an African American or Hispanic student with an additional $1,000 in grant funds decreased the probability of dropping out by 7 percent and 8 percent respectively (Hearn 2015).

Institutions in predominantly low-income neighborhoods show more positive impacts. Another challenge that too many students, especially those from historically underserved backgrounds face, is the lack of accurate information about postsecondary options. Most of them are confused about expectations for academic work, actual tuition costs, and the content of college entrance and placement tests (Valant et al. 2016). High school graduates that eventually go on to some form of postsecondary education sort themselves into five types of institutions; 2-year colleges (46 percent), public 4-year colleges (26 percent), private 4-year colleges (15 percent), for-profit entities (10 percent), and other types of schools (3 percent). Also, research consistently shows that delaying postsecondary enrollment, for whatever reason, reduced the likelihood that the student will persist and complete a degree program (Adelman 2006). African American and Hispanic community college students are also less likely to earn baccalaureate degrees because they are overrepresented in certificate programs (Bailey et al. 2015). As Pascarella and Terenzini (2005, p. 602) concluded, "the impact of college is largely determined by individual effort and involvement in the academic, interpersonal, and extracurricular offerings on a campus." As stated earlier, most students lack critical information that they need. In addition, intentional programs to facilitate student-faculty interaction have different effects on students. For example, relationships with faculty predicted development of academic competence among new students in the first year of college (Reason, Terenzini, and Domingo 2006), and sophomore success (in terms of GPA and satisfaction) was related to high-quality student-faculty interaction.

On balance, student persistence and success are related to the extent to which students interact with supportive adults on campus, both inside and outside the classroom (Kuh 2016 Pascarella and Terenzini 2005). For some purposes, occasional contact with faculty members may be enough. To illustrate, three of the six behaviors on the NSSE student-faculty cluster are of this kind: discussing career plans, working with a faculty member outside of class on a committee or project, and doing research with a faculty member. For most students, doing the first two of these once or maybe twice a semester is probably good enough. Working on a research project with a faculty member just once during college could be a life-altering experience. For other activities, such as getting prompt feedback, discussing grades and assignments, and discussing ideas outside of class, the more frequent the contact the better (Kuh et al. 2013). Widespread use of effective pedagogical practice must be at the core of any agenda to promote student success. This area of research received more attention than any other over the past dozen years (Pascarella and Terenzini 2005), fueled by the expanding research and theory on human learning (National Center for Public Policy and High Education 2005). In the final analysis, student-faculty interaction is important because it encourages students to devote greater effort to other educationally purposeful activities. Both the nature and frequency of the contacts matter (Center for Community College Student Engagement 2013). Bailey and Leinbach (2005) and Bauman et al. (2005) offer further evidence of how institutions can organize their resources and create success-oriented cultures. Also relevant is emerging research associated with the ongoing Building Engagement and Attainment of Minority Students (BEAMS) project, Association of American Colleges and Universities' (AAC&U) Making Excellence Inclusive initiative, Creating Role Models for Change A Survey of Tribal College Graduates (2000), and Diversity Scorecard (Bensimon et al. 2016), and the work of Hurtado et al. (2012), on the value of diversity and inclusion of underrepresented populations in higher education. However, if the students do not understand why such interactions are necessary, they may not appreciate them.

In addition, institutions that foster student success provide stimulating classroom experiences that encourage them to devote more time and effort to their learning and help them develop good study habits (Kuh et al. 2006; Valant et al. 2016). It is particularly important for institutions to invest in academic support services designed for the needs of diverse students (Bailey and Leinbach 2005), and for student...
and academic affairs to work together to improve the learning climate in and outside the classroom to have the greatest impact on student success. Pascarella and Terenzini (2005) concluded that attending college clearly influences occupations and earnings and various indices of quality of life, in part because college graduates tend to choose environments with similarly educated people, including spouses, close friends, and colleagues who share their social and political points of view. These quality of life benefits are transmitted to their children, favorably shaping their academic preparations, college-choices ad college performance. Furthermore, Pascarella and Terenzini (2005) found that students become more critical, reflective, and sophisticated thinkers during their college years and that college significantly enhances their general intellectual and analytical skills, critical thinking, and intellectual flexibility. To improve postsecondary preparation and success rates in an increasingly mobile society, a coordinated effort is required involving communities, k-12 schools, postsecondary institutions, and local and state business leaders and government officials, and policymakers (Zumbrunn et al. 2014). However, stereotype threat has its negative impact on academic achievement (Strayhorn 2015). These affective consequences can jeopardize successful task completion (Thelin 2011). Zumbrunn et al, 2014 and Brame, 2019 highlighted the provision of a conducive classroom environment that include motivational factors that predict student engagement and academic success. They believe that a supportive classroom climate leads to an increase in students’ sense of belonging which in turn leads to an increase in academic success. Schinske et al, 2016 talked about identity-safe classroom environment built into the curriculum. They stated that intentionality toward interest in and respect for students in the class has a positive correlation with increase in cognitive capacity, persistence, and academic success. This they maintain ensures that all students’ contributions are heard and valued. Also, according to Dewsbury 2017 effective instructor-student dialogue engages all students and guarantees academic success.

Another aspect of the literature is on the shortfall of college graduates compared to the availability of highly skilled job vacancies. Research shows that if current trends continue in the production of bachelor’s degrees, a 14 million shortfall of college-educated working adults is predicted by the year 2020 (Finn et al. 1997). The bad news is the enrollment and persistence rates of low-income students; African American, Latino, and Native American student; and students with disabilities continue to lag behind White and Asian students, with Latino student trailing all other ethnic groups (Haak et al. 2011; Henderson 2008). Far too many students are falling short of their potential. Just over half (51 percent) of high school graduates have the reading skills they need to succeed in college (American College Testing Program (ACT) 2006). This latter fact is most troubling as 70 percent of students who took at least one remedial reading course in college do not obtain a degree or certificate within 8 years of enrollment (Adelman 2006).

College costs continue to increase faster than family incomes. From 1990 to 2000, tuitions rose at private universities by 70 percent, at public universities by 84 percent, and at public 2-year colleges by 62 percent (Reardon 2011, 2013). Those hit hardest by cost increases can least afford it. Charges at public institutions increased from 27 percent to 33 percent between 1986 and 1996 for families in the bottom quartile, but only from 7 percent to 9 percent for families in the top income quartile. This means for each $150 increase in the net price of college attendance, the enrolment of students from the lowest income group decreases by almost 2 percent. Because tuition and fees have been rising faster than family income, there are also more students today with unmet financial need (Reardon 2011). Economic inequality now exceeds racial inequality in its impact on educational outcomes, although the effects of both remain significant. This shift became evident in the early part of the 21st century, and it affects faculty today (Reardon, 2011, 2013). According to Reardon, 2013, Americans are more concerned about, and more supportive of policy initiatives that close wealth-based achievement gaps. Valant & Newark, 2016 consider education as a great equalizer and since faculty have the greatest in-school impact on student academic success, investing in faculty development and student services can help to successfully address opportunity gaps. In addition, Finley et al. 2013 stated that if all black students were assigned to highly effective faculty four years in a row, this would be sufficient to close the average black-white achievement gap. They concluded that faculty have a powerful, long-lasting, life-changing influence on their students. Faculty directly affect how students learn, what they learn, how much they learn, and ways in which they interacted with one another and the world around them.
Goffee and Jones, 2000 stated that “real faculty empathize fiercely with their students and care intensely about their student’s work. They are also empathetically ‘tough.’ This means giving the students not necessarily what they want, but what they need to achieve their best”. They practice what is called a tough empathy pedagogy. Teaching with tough empathy is not a soft pedagogy. It is an education principle that requires teachers to give students what they need, not what they want. At best, this method of instruction respects where students are in relation to the task they are asked to complete. The most effective teachers teach with a tough empathy pedagogy using the following three guidelines to implement their pedagogy, hold students to high expectations, listen to students with a desire to understand, not ridicule, never give up on students. These faculty that practice a tough empathy pedagogy need to bring their colleagues into the fold. The benefits will surely have a positive influence on your teaching and prepare their students for future success. Academic success has been attributed to student factors as well as teaching factors in the literature. Asif et al. 2017 consider psychological factors, beyond intellectual ability, to have an impact on academic achievement. Through the application of personality testing, these authors conclude that there are significant differences in personality between students with high attainment and those with low attainment. Participants’ test scores on assertiveness, conscientiousness and emotionality correlated significantly with their grades, establishing that students’ interpretation of their learning experience can lead to different academic results. Moreover, Kuh et al. 2006 assert that the students’ learning style and achievement motivation relate to their academic success, showing that individual characteristics play an important role.

Bauman et al. (2005) highlighted the need for faculty to enhance a growth mindset in students. They also felt that an internal locus of control and making sure that university settings encourage the development of intrinsic motivation in students. Hence, responsibility is placed on the educators to instruct and instill development of these abilities, through purposely included aspects of the curriculum. Assessments are a compulsory component of university programs, having both a formative and summative function. Practical tasks with clearly communicated usefulness are more effective in preparing students for employment, rather than traditional assessment methods, such as examinations (York et al. 2015). Students perceive assessments as beneficial to their learning if they are explicitly aware of how they build on their current skill set and their relevance to their future career (Cachia et al. 2018). This therefore leads to the understanding that students are more likely to engage in the learning process if they can relate the set assignments to their employment ambitions. This is why we stated earlier that it is critical for faculty to clearly explain to students why they are doing the various assessments that each course requires. This paper is in concurrence with the “deep teaching model” enunciated by Dewsbury 2019 who emphasized a respectful classroom climate. We also agree with Thelin 2011 who emphasized the implementation of a progressive pedagogical technique leveraging the power of the community. And offers an approach for a model student success program. According to Haak et al 2011, faculty should emphasize a pedagogy of reflective personalized learning by acknowledging students’ agency in learning and supporting a pedagogical structure that help students succeed thereby giving them a voice. They contend that it is important to develop meaningful dialogue with students by first seeking to know their students, forging lasting bonds and building meaningful learning experiences. The impact of how faculty teach and how students learn as well as who we teach and how we teach is at the center of this study. In addition, using innovations in pedagogies and teaching – related technology to tie assessment of educational outcomes for student learning with changes in the curriculum and institutional design and delivery is highly recommended. Along this line of thought, Witham et al. 2015 suggested that faculty must take into account the unique needs and characteristics of their students.

3. Methodology

This paper represents an exploratory fundamental and qualitative research that aims to present a refocus on the role of faculty in teaching and learning to reach all students in classrooms. It examines what can be done in order to increase student skills and preparedness. The analysis of the study is based on secondary data and sourced from existing literature and best practices. The objective was to ascertain the effectiveness of a holistic and collaborative approach to increasing student success. As institutions of higher education refocus their efforts on improving educational outcomes for students, this paper examines ways to increase the academic success of all enrolled students not just those on the presidents,
deans, or honors programs. What is faculty contribution to socially disconnected classroom environments? How can we find a balance between faculty ownership of effective teaching and student academic performance and sense of belonging? In this paper we focused on identifying possible solutions to teaching all our enrolled students. The study questions that guided the development of our model were: How do students define academic success? What factors do they perceive as facilitators of such academic success? This paper presents a preliminary phase of this work, as this study progresses in the future, we will develop a two-stage qualitative design, with peer observations and informal interviews focusing on their pedagogical patterns and classroom practices. The first stage of the study will be to identify successful strategies and practices faculty can implement to teach all the enrolled students in their institution and increase their academic success. The next stage will be to identify components of the model that worked and those that did not on student academic success and the role of faculty in increasing the number of students who succeed in their academic pursuit. In the process of the research study, we were able to develop a model which we present here.

4. The Model

This paper believes that faculty can effectively teach all students enrolled in the colleges by using a holistic and collaborative approach to increasing student success. To this end, the paper developed a model that can help in achieving this goal. This approach has four component parts. Part 1 is the Holistic Component that involves engaging all students in the institution (those needing remediation, regular students navigating the college-level work, student achievers on honor roll/dean’s list/president’s list); communicating purposefully to them in a timely manner; and providing an all-inclusive comprehensive support services (HC). This part develops and implements measurable benchmarks that motivate, encourage, and enable all students. Part 2 is the Collaborative Component which involves bringing six working teams together: faculty, industry, current majors, alumni, career services, and the community (CC). This part engages the collaborative team in maintaining a living curriculum that reflects the ever-changing global economy. For faculty to engage in a living curriculum, they must remain current. The intrinsic and extrinsic factors are highly interrelated for both faculty and students. For instance, the teaching provision allows for the practice and development of the faculty to guarantee currency. As for the students, there must be intentionality in building the personal skills required to achieve academic success. Inviting input in the curriculum from the external stakeholders in the collaborative team. For the industry it means bridging practice and theory thus strengthening the curriculum. Part 3 of the model is Celebration of Student Success (CSS) which involves the collaborative team owning each milestone achieved by their students, reaffirming teamwork while building trust and persistence at each stage. Finally, Part 4 is the Assessment of Student Progress (ASP) using a holistic and collaborative approach.
5. Discussion

Student success plays a dynamic role in higher education as most stakeholders’ push for increase in rate of retention and graduation. Students enroll into colleges and universities with great expectations of academic success. Research show that these expectations can be achieved (Perez et al., 2014; Dewsbury, 2017). Decreasing higher education funding has placed real constraints on what institutions can do to respond to these expectations. Consequently, as a result of persistent increases in global economic crisis, increasing the academic success rate of students in colleges and universities in the United States is one of the greatest challenges facing higher education today. To increase student enrollment, institutions of higher education continue to search for innovative ways to do more with shrinking funding. This is because doing nothing is not an option and the real possibility of threats of faculty layoffs and/or faculty hiring freeze exacerbates the challenges. Continuous decline in student enrollment makes the challenges of colleges and universities more urgent. Most institutions are now at the point of reviewing what can be done. Many have begun looking within to rethink and repurpose many of their academic programs and activities. One of the most reviewed aspects of colleges and universities has focused on teaching and learning. Emphasis is on assessment of how faculty teach and how students learn focusing on who we teach and how we teach using innovations in pedagogies as well as teaching-related technology (Mohamed et al. 2017; Hamoud et al. 2018). Some of these studies suggests that retraining and retooling academic operations and processes encourages change. Most of the suggestions include academic program realignments, program mergers, shorter degree programs, accelerated courses, major shifts in course offerings, double majors, increases in job placements, provisions of certification programs. These researchers maintain that these suggested activities can help increase student academic success.

This paper concurs with these suggestions and draws attention to the impact of actions such as applying the holistic and collaborative teamwork that includes, respects, and empowers all students is the key to reducing the college completion gaps that exist among blacks and Hispanic students. Students’ perception of what contributes to their academic success may differ from faculty’s perceptions. Research has increasingly shown that a supportive classroom climate increases students’ sense of belonging and increases academic success (Schinske et al., 2016). They emphasize identity-safe classroom where faculty engage with student voices and acknowledge student agency in learning. Brame, 2019 and Zumbrunn et al., 2014 are among researchers who encourage the intentionality of making students feel welcome, respected, and valued in classrooms. The paper further suggests that to be an effective faculty, an instructor needs to remain current with global changes. Education and teaching need to continue to evolve. Specifically, this model recommends using innovative assessment metrics that are more suited to today’s education environment. Faculty are increasingly encouraged to think outside the box by designing assessment metrics that measure flexible learning; meeting the students where they are; breaking assignments into chunks and measuring them; rethinking high and low stakes tests that demonstrate student mastery of learning; promoting classroom assessment techniques that enhance learning through innovation; and ensuring both formative and summative assessment metrics. This paper’s model encourages collaboration among schools, departments, academic programs to build and leverage synergies and continually review existing programs that eliminate duplication of activities thereby minimizing student frustrations.

As we focus in this paper on how faculty can teach all of our students, we must also discuss the institutional policy that encourage faculty to excel in teaching and learning. In framing the question of faculty embracing their student outcomes with pride, we must engage students to define their understanding of academic success by providing avenues for exploration, and opportunities for planning of how they can achieve their goals throughout their time at the various institutions and beyond. The teaching and learning provision can also be tailored to fulfil the needs of different student groups especially the underrepresented. The key messages from this presentation and discussion are as follows: faculty need to encourage students to be aware of their responsibility to take charge of their independent learning but also acknowledge the need for student support to develop the required skills; curriculum need to be intentionally developed to increase employability skills of all students since it is a gateway to the world of work; and faculty need to embrace change and currency as a positive response to the funding challenges of our times. This paper concludes that while we train students to acquire the skills of
acknowledging their obligation to be proactive through their academic programs, faculty must also have their students’ employability in mind. We encourage faculty to embrace all their students as the center of their professional progress and continuously view student performance as a measuring stick of faculty growth and development. As stated earlier, the income and opportunity gaps that exist in the United States and the world, increases the equalizing power of effective education. It follows that an implementation of the four components of the model developed in this paper will increase the number of underrepresented and low-income students in colleges and universities of our nation and the world.

6. Conclusion

As has been demonstrated in this paper, a great faculty should develop relations with their students to build trust. They should be patient, caring, and have a kind personality. With training, faculty develop skill sets that incorporate knowledge of the cognitive, social, and emotional development of their students. Research shows that faculty that acquire these skill sets love teaching and are passionate about their profession and committed to their students’ success. They are always willing to help students and give their time. They motivate students to succeed in and outside the classroom. The model developed in this paper advocates the use of a holistic and collaborative approach to increase the academic success by teaching all students in their classrooms. The model suggests that engaging all our students, communicating purposely to all of them, designing comprehensive support services as identified above in part 1; establishing six groups of stakeholders to collaborate in a living curriculum that bridges theory and practice and strengthens said curriculum as explained in part 2; administering continuous assessment of student progress by embracing flexibility for learning; intentionally creating opportunities in the classrooms to meet students where they are; rethinking high and low stakes assessment to help students demonstrate mastery thus guaranteeing excellence with empathy as highlighted in part 3 and as advocated in part 4, we must make the celebration of student progress highly visible. It encourages the involvement of the collaborative team forged in part 2 in such celebrations thus owning each student’s milestones. Examples include celebrating student of the month, faculty of the month, staff of the month, and community business participant of the month. These collaborative celebrations build trust and forge greater joint efforts that increase enrollment, retention, and graduation rates.

We encourage faculty to reimagine teaching and learning by seizing the moment. A keyway to achieve this is by focusing on lessons learned from the covid-19 experience. This is the time for faculty to perfect the art of teaching and learning recognizing that change only comes when they demand it. However, faculty need to be ready to institutionalize such change thereby guaranteeing progress and ultimate increase in academic success. We can do this. During the Spring 2020 what did we learn from the covid19 pandemic? Faculty adapted and modified their syllabus; faculty was willing to train and they gained new skills; faculty humanized teaching and learning by being flexible and patient with their students. This paper needs faculty to be aggressive in seizing the moment by increasing the composition of students that succeed and graduate. If this momentum continues and is sustained, faculty would have succeeded in teaching all our students. Further research is needed to determine the impact of intentionality, inclusivity, and flexibility in assessing academic success of all enrolled students.

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Employees’ emotional intelligence and service delivery to customers: A comparative study of selected deposit money banks in Nigeria and Liberia

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Abstract
For decades, service delivery challenges have remained contentious in both Nigerian and Liberian banking sector with studies pointing towards different reasons. This study examined one of the reasons which is employees’ emotional intelligence as it determines service delivery to customers in selected deposit money banks of Nigeria and Liberia. Literature review captured employee emotional intelligence and customers service delivery to evolve gaps which set pace for this study. This provided the springboard with which the methodology adopted was built on. Specifically, survey design was adopted with both bank customers and employees in the main branches of the commercial centers of the countries as the population of the study. Bank customers and their employees were sampled with both purposive and convenience techniques. Two sets of questionnaires were adopted for the study: one for the customers and the other for bank employees. Data collected was analysed with appropriate statistical methods. Results revealed no significant difference in the deposit money banks customers’ complaint rate in Nigeria and Liberia Banks; no significant difference between the employees’ Emotional Intelligence level of Nigeria bank employees and Liberia bank employees; self-management is the only significant contributor to the quality of service delivery in Nigeria; while social skill, social awareness as well as self-management were the predictors that significantly contribute to the quality of banks service delivery in Liberia; and there is a significant combined influence of the predictors of employees’ emotional intelligence on bank service delivery to customers in both countries. The study conclude that emotional intelligence is fundamental to service delivery to customers in both countries. It was recommended that bank management in both countries need to come up with purposeful employees’ emotional training programs to improve employees’ emotional intelligence competencies while individual employees should also seek knowledge on how to continuously enrich their emotional intelligence level.

1.0 Introduction
Service sector of any economy is consistently challenged by factors such as customers’ taste preferences, government policies, competitors’ strength, multiple choices of service providers, globalisation, to mention a few (Kalpana & Noopur, 2013; Shahram, Mohmmad & Mohammad, 2013). These have kept the sector on her toes, searching for the best ways through which the aforementioned factors can be addressed. According to Grönroos and Ravald (2011), the delivery of high-quality service is the fundamental interest of service providers in which employees’ play critical roles in service delivery to customers. Jain, Jain and Das (2018) remarked that intelligent quotient of employee is not enough to deliver service efficiently, their emotional intelligence has become important to bring about efficient service delivery (Jain, Jain, & Das, 2018).

Emotional intelligence is the capacity of an individual to manage emotions and is being noted as one of the leading determinants of harmonious relationship of members in a group (Nyerere & Barasa, 2015). According to Graham and Roger (1998), it is the capacity to deploy intellect effectively that is mental functions of thinking, understanding, observing, learning, perceptual relationships and problem
solving. It therefore entails the possession of self-management skills, self-awareness skills, and social skills. In an organisation like the bank, employees’ EI is required to ensure efficient service delivery (Jain, Jain, & Das, 2018). With the challenge of lack of efficient banking services delivery in Nigeria (Adeniji & Akinbode, 2018; Farayibi, 2016; Odusina, 2014; Sanusi, 2012), suggest emotional intelligence gap among bank employees. This issue is also what is happening in many other developing countries like Liberia as evident in International Monetary Fund (2016) and Fitch ratings (2017) reports. Details of the reports revealed unimpressive performance of banking sector in both Nigeria and Liberia.

According to personality theory, individual traits such as self-awareness, empathy and adeptness which are significant to emotional intelligence are fundamental to efficient bank service delivery. Similarly, demand control theory which explored the extent to which individual is involved in job in terms of the ability to acquire new knowledge, evolve new skills, multi-task through skillsets, and display creativity that could address customers’ needs contribute to the judgement of efficient service delivery. It is within this context that the study examined employees’ EI and delivery of bank services among these banks in both Nigeria and Liberia.

2.0 Literature Review
2.1 Emotional Intelligence

Two basic words from this sub-title namely emotion and intelligence made up the concept ‘emotional intelligence’. According to Consoli (2010), emotion is an organised mental reaction to occurrences based on cognitive disposition. The author further says that such reaction can manifest in facial, verbal, or textual expressions. On the secondhand intelligence’, this is associated with individual ability or capacity. In the opinion of Wechsler (1958), it is the cumulative or total capacity of a person to performance deliberately, reason logically and transact successfully within a context. In summary, emotional intelligence can be said to be individual’s ability to correctly recognise, perceive, purpose concerning and manage emotions, put in the facts to ease notion and reach aim (Killgore, Smith, Olson, Weber, Rauch & Nickerson, 2017).

2.2 Models of Employee Emotional Intelligence

Three prototypes of emotional intelligence were reviewed under this sub-heading namely, Capacity, bar-on and Goleman mix models.

Capacity model: This prototype originated from the piece of Mayer and Salovey (1990) to explain key ideas that integrate emotion and intelligence which gave rise to EI. According to the model, reactions remain valuable foundations of facts and know how to support in making logic to traverse human environment.

Bar–On mixed Model: This prototype communicates to the prospective intended for performance, rather than performance itself in explaining EI as it was process-oriented against the outcome. The emphasis was on an array of emotional and social abilities such as ability to be aware of, understand and express oneself, ability to deal with strong emotions, and adapt to change and solving social or personal problems.

Goleman mix model: This model concentrated on emotional intelligence as a comprehensive collection of proficiencies and skills. Goleman (1995) identified construct of EI such as social awareness, self-awareness, and self-management. The author suggests that individuals are born with general EI that determines their potentials for learning emotional competencies.

2.3 Determinants of Employee EI

Studies (Danquah, 2015; Georgiana, 2014; Pahuja, 2012) have identified basic determinants of employees’ EI among which are social-talents, self-control, social-mindfulness, self-awareness, relationship-supervision, among others. Four of these determinants are of interest in this review. Which are.

Self-management: It entails the capacity of a person to regulate his or her conduct with a tendency to pursue aims with purposeful energy and perseverance. Georgina (2014) described it as one’s ability to control emotional response to others by choosing correct emotional response and the concentration of that reaction.

Self-awareness: This entails the capacity of a person to identify and his or her emotions, drives and

Social awareness: This arises when a person knows present feeling using those preferences to direct policymaking, with self-valuation of capabilities and a knowledgeable sense of self-assurance.

Social skills: It is the ability in handling relationships as well as sustaining network to achieve desired outcomes through other and extent individual goal as well as find mutual ground and build support.

2.4 EI in the Banking Industry

Karthikeyan & Lalwani (2017) and Swarnalatha & Sekar (2016) gave their own account of EI in the banking industry in their respective studies. Both studies acknowledged the growing importance of EI in the industry. Other studies Naeem, Saif, and Khalil (2008), have also shown some evidences of its relevance. Kappagoda’s (2013) study established that the level of EI changes with some demographic variables such as sexual characteristics, oldness, and informative level in the Sri Lanka banking sector.

Additionally, Pahuja’s (2012) study established the knowledge of EI among employees. The study highlighted self-awareness, self-management, and empathy as the major EI traits of bank employees. Similarly, Thavaraj (2012) study revealed self-mindfulness, self-instruction, self-enthusiasm, social-mindfulness, and social-talents, as determinants of EI in the industry. In Nigeria, Okon, Anietie and Abosede (2015) acknowledged that EI can be established at any period of life through an organized and consistent method and can help to improve job performance. The study of Danquah (2015) in Ghana also suggests the relevance of emotional intelligence in the banking industry owing to significance of this to financial performance of some selected banks in the areas of relationship marketing, customer happiness and service quality.

2.5 Service Delivery as a Concept

Service is a process made up of chain of extra or less intangible activities that might automatically hold in interchange between the buyer and representative of seller and/or bodily resources or goods and/or systems of the service provider, which are provided as results to customer needs (Gronroos, 2000). Services such as accepting deposits, deed lending, allowing business credits, fund transfer, client portfolio, project financing, as well as other asset and counselling services are obtainable in banks. Therefore, service is a recognisable, impalpable action of business and the reason of existence primarily which is served to meet and exceed the expectations of existing and anticipated customers.

The definitions show that certain basic features of service and according to Angelova and Zekiri (2011), these are: Untouchability: This cannot be calculated for in quantitative term, its measurement, try out, confirmation and catalogue ahead of sale becomes practically impossible. Nearly all servicing organisations find it difficult to identify and assess how customers consider their services. Perishability: It is also practically impossible to preserve services for future whether for use or sales. When services are implemented, they are consumed immediately as such cannot be kept in a place. Also, when supply is below demand, it cannot be kept, by keeping.

Inseparability: There distinctions between physical goods and services in a number of grounds. In terms of production order and consumption for instance. Services are sold, manufactured, and consumed immediately. Unlike tangible items which will first be manufactured, might be sold immediately or stored and or in the latter sold and consumed. Heterogeneity: An unescapable result of concurrent manufacture and consumption differ in service performance. That is, service quality may differ with reference to the firm that produced it, when and how it was produced. In service industry such as bank and insurance, those services differ with reference to the sub-sectors.

Attempts to harmonize ‘service’ and ‘delivery’ have been widely discussed in the literature. For instance, Gronroos (1984) described service delivery as ‘a set of perceived discernments resulting from an assessment process where customers juxtapose service anticipated with service received’. Also, Herstein & Gamliel (2006) described service delivery as the extent to which the level of service delivered to customers’ equals what the customers anticipated. Customers’ perspective on the description of service delivery suggest that it involves perceived quality of a service as against consumer expectations with the
service as regard service received, that is puts the perceived service against the expected service (Gronroos, 1984).

Therefore, improving customer service delivery involves commitment to unravelling what customers' desire and wants on the one hand and evolving action plans that would address it. To achieve effectual service delivery in banks, employees should be emotionally intelligent and stable.

2.6 Theoretical Review
2.6.1 Personality Theory

This theory is based on individual traits which are attached to EI in individuals is made up of a range of emotional dispositions and competencies such as self-mindfulness, self-order, enthusiasm, empathy, and adeptness in relationships. Accordingly, these traits predispose an individual to act in definite manner in different situations which McCrae and Oliver (1992) identified as the big five namely, frankness, conscientiousness, extraversion, agreeableness, and neuroticism. As such traits attributed to individuals is an attempt to know why or why not they behave in a particular way. This is no doubt influenced by their cognitive procedure and signal a sensation of order which can appear baseless, and awkward. In line with this, personality theory categorises people into types on the basis of personality tests and identified types of people along extraversion or introversion.

2.6.2 Demand Control Theory

Wall, Jackson, Mullarkey and Parker (1996) demands-control theoretical readjustment, or clarification, has not been carried through into quantity practice. Almost all investigators have continued to use scales based on Karasek's (1979) original measure of job decision latitude, which represents a much larger construct than that of job control. Decision latitude contains not only items concerned with job control, but also ones casing the extent to which the job involves the opportunity to learn new things, develop skills, exercise a high level of skill, show creativity, use one's capabilities and to experience variety (Karasek & Theorell, 1990).

These theories rest on the premise that perceptions of customers and service provider about banking services are good determinants of service delivery (Zeithaml et al., 1988). With the literature review on service delivery, it is obvious that theory is required to underpin how efficiency level of service delivery can be determined viz a viz employees’ emotional intelligence.

2.7 Empirical Review

Extant studies (Okon, et al., 2015; Kaura, 2011) have shown that EI is connected to service delivery. Opuni & Adu-Gyamfi (2014) study of the Ghanaian telecommunication sector suggests that EI is positively related to management efficiency as regard service delivery and customer expectation levels. Specifically, the study of Kaura (2011) examined the enormity of EI in Indian banking sector and findings revealed a solid relationship between emotional intelligence and banks service quality. Likewise, the study of Okon et al., (2015) in Nigeria found out that EI confidently influences employees’ service delivery among Nigerian banks.

Jain and Gupta (2014) investigated EI impact on service delivery of employees’ in selected Indian banks that are privately owned with a sample of sixty-five (65) employees and EI among bank employees was assessed on five dimensions namely- self -mindfulness, emotions handling, self-motivation, emotions of others and relationship control. It was established that individuals with high emotional intelligence would perform better on the grounds of high levels of interpersonal skills. Pahuja and Sahi (2012) investigated the factors that affect EI among bank employees working in Punjab and examined how the factors determine their performance. The study was exploratory in nature. With one hundred and twenty (120) population of the study, consisting of bank employees in both private and public-sector. Employees’ of the banks were found to be aware of this comparatively new concept ‘EI’. It was revealed that male and female employees differ significantly as regards various EI traits.

Nyerere and Barasa (2015) examined the influence of EI on service delivery. Results indicate that social-talents, self-mindfulness, social-mindfulness, and self-controlling have influence on service delivery. To achieve this, trainings on the development of EI among employees in organisations, information, talents, and personality orientation should be promoted. Related study by Swarnalatha, and Sekar (2016) on the level of EI among bank revealed that there are four major factors affecting EI namely,
Self- Mindfulness, Self- Control, Social-Talents and Empathy. It also revealed that EI plays a major role in bank employee’s life, and all the employees have great EI. Also, there was no difference between EI and age of the employees.

Karimi (2014) examined the influence of self-mindfulness, self-controlling, and relationships-management on employee performance. The study adopted exploratory method with seventy-six (76) employees of a Nairobi hotel but sampled thirty-eight (38) employees through simple random sampling. Data was collected through questionnaire and interviews means. Outcomes of the study showed that self-awareness, self-management, and relationships-management proxies of EI influence employee performance.

Based on above review, it is obvious that the studies are still limited because none has captured the perception of customers’ bank service delivery in developing countries and precisely Africa. It is thus expedient to investigate this and the study considered Nigeria and Liberia for this purpose. Furthermore, there is no substantial literature on employee EI involving Nigeria and Liberia.

3.0 Methodology
This study adopted survey research design. Survey design is the systematic study of phenomenon (Creswell, 2010) allowed the researcher to know what the situation is currently. To achieve this, deposit money banks in both Nigeria and Liberia were considered. In Nigeria, there are twenty-three (23) DMBs in Nigeria as at October 2019 (www.cbn.gov.ng). In Liberia, as of 2019, there were nine licensed deposit money banks operating in the country. Therefore, the study population covers all the banks in both countries and their respective bank employees and customers totalling of 32 banks.

With the population of the banks under study, a sample was considered in line with International Organisation for Standard Certification (IOSC) metrics of what makes ‘Excellent Banks’, namely, customer service, service quality, innovation, and customer focus. In Nigeria, the leading bank is First Bank of Nigeria (Fitch Report, 2018) while in Liberia, Ecobank Liberia Limited is adjudged the leading bank. For the first category of respondents (Bank Staff): In Nigeria, four (4) main branches of First Bank Nigeria Limited exist in Lagos with sixty (60) full staff while in Liberia, three (3) main branches of Ecobank Liberia Limited exist in Monrovia with fifty (50) full staff. In the case of second Subject (Customers): This is made up of customers of the selected branches of the banks in both countries. Six hundred customers were targeted with First Bank of Nigeria (400) and Ecobank of Nigeria (200)

This study adopted purposive and convenience sampling techniques. In the instance of bank employees, purposive sampling was adopted while convenience sample was adopted for bank customers’ selection. Data for this study was primarily sourced with the use of structured questionnaire. Two sets of questionnaires were designed for the study. The first set of questionnaires was designated for the bank staff. The research instrument is made up of two (2) sections that is, Sections A and B, respectively. Data collected for the study was analysed using both descriptive and inferential statistics. Descriptive statistics include frequency distribution, mean and standard deviation were used while Inferential statistics such as Correlation matrix, Linear Regression and ANOVA were used too.

4.0 Data Analysis Summary
4.1 Assessment of Customers’ Complaints Rate on Bank Services in the two Countries

<table>
<thead>
<tr>
<th>Complaints</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nigeria</td>
<td>Liberia</td>
<td>Nigeria</td>
</tr>
<tr>
<td>Excellent Banking Services</td>
<td>277</td>
<td>143</td>
<td>2.9170</td>
</tr>
<tr>
<td>Promptness from Employees</td>
<td>277</td>
<td>143</td>
<td>3.0505</td>
</tr>
<tr>
<td>Error-Free Services from Employees</td>
<td>277</td>
<td>143</td>
<td>2.8809</td>
</tr>
<tr>
<td>Knowledge on Specific Service Needed</td>
<td>277</td>
<td>143</td>
<td>3.0830</td>
</tr>
<tr>
<td>Technological Knowledge of Employees</td>
<td>277</td>
<td>143</td>
<td>3.1119</td>
</tr>
<tr>
<td>Improvement in Services</td>
<td>277</td>
<td>143</td>
<td>3.2708</td>
</tr>
<tr>
<td>Creativity of Employees</td>
<td>277</td>
<td>143</td>
<td>3.1697</td>
</tr>
</tbody>
</table>
Problem Solving Skill of Employees  
Change in level of interaction between Service Provider and Customer  
Excellent Speed of Service Provided

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nigeria</td>
<td>Liberia</td>
<td>Nigeria</td>
</tr>
<tr>
<td>Social Skills</td>
<td>46</td>
<td>48</td>
<td>15.5217</td>
</tr>
<tr>
<td>Self-Management</td>
<td>46</td>
<td>48</td>
<td>15.9348</td>
</tr>
<tr>
<td>Social Awareness</td>
<td>46</td>
<td>48</td>
<td>15.5652</td>
</tr>
<tr>
<td>Self-Awareness</td>
<td>46</td>
<td>48</td>
<td>16.2391</td>
</tr>
<tr>
<td>Total</td>
<td>46</td>
<td>48</td>
<td>15.8152</td>
</tr>
</tbody>
</table>

Source: Field Survey (2019).

Table 1 reveals customer complaint rate on bank services in Nigeria and Liberia. With 10 items, complaints related issues were sought in relation to banks services from the customers in both countries to generate their mean values, as complaints above mean values of 3.0 were not supported by the respondents while mean values below 3.0 are assumed to be complaints raised by the customers.

4.2 Investigate Bank Employees’ Emotional Intelligence Level in Both Countries

Table 2: Employees Emotional Intelligence Level

<table>
<thead>
<tr>
<th>Emotional Intelligence Predictors</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nigeria</td>
<td>Liberia</td>
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</tr>
<tr>
<td>Self-Awareness</td>
<td>46</td>
<td>48</td>
<td>16.2391</td>
</tr>
</tbody>
</table>

Source: Field Survey (2019).

Table 2 shows the level of employees’ emotional intelligence in Nigeria and Liberia using the mean value of the four emotional intelligence predictors considered in this study. Social skill in Nigeria had a mean value of 15.5217 and Liberia had a mean value of 15.9792. Self-management in Nigeria had a mean value of 15.9348 and Liberia had a mean value of 16.2292. Social awareness in Nigeria had a mean value of 15.5652 and Liberia had a mean value of 15.2500, while Self-awareness in Nigeria had a mean value of 15.5652 and Liberia had a mean value of 15.2500. The grand mean from the four emotional intelligence predictor shows that there exists a higher level of emotional intelligence in Liberia than Nigeria although with just a slight difference. This is to say that there exists a closeness in the level of emotional intelligence in both countries.

Table 3: Regression Summary of employees’ emotional intelligence predictors (Nigeria)

<table>
<thead>
<tr>
<th></th>
<th>Beta(β)</th>
<th>T</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1.060</td>
<td>.469</td>
<td>.642</td>
</tr>
<tr>
<td>Social Skill</td>
<td>.261</td>
<td>1.605</td>
<td>.116</td>
</tr>
<tr>
<td>Self-Management</td>
<td>1.093</td>
<td>4.860</td>
<td>.000</td>
</tr>
<tr>
<td>Social Awareness</td>
<td>.328</td>
<td>1.712</td>
<td>.094</td>
</tr>
<tr>
<td>Self-Awareness</td>
<td>.242</td>
<td>1.211</td>
<td>.233</td>
</tr>
</tbody>
</table>

Source: Field Survey (2019).

Table 3 reveals that only one out of the four employees’ emotional intelligence predictors significantly contribute to the quality of bank service delivery in Nigeria. Self-Management (β =1.093, t =4.860, p < 0.05) is the only significant contributor, while Social Skill (β =0.261, t=1.605, p > 0.05), Social Awareness (β =0.328, t=1.712, p >0.05) and Self Awareness (β =0.242, t =1.211, p >0.05) were not significant contributors to quality bank service delivery. This implies that a unit change in self-management will relatively increase the likelihood of improved quality of bank service delivery in Nigeria.
Table 4 reveals that three out of the four employees’ emotional intelligence predictors are significant contributors to the quality of bank service delivery in Liberia. Social Skill (β = 0.432, t = 2.402, p < 0.05), Self-Management (β = 0.594, t = 2.680, p < 0.05) and Social Awareness (β = 0.638, t = 3.476, p < 0.05) were the predictors that significantly contribute to the quality of banks service delivery in Liberia, while Self Awareness (β = 0.029, t = 0.175, p > 0.05) is not a significant contributor. This implies that a unit change in the social skill, self-management and social awareness of employees will relatively increase the likelihood of improved quality of bank service delivery in Nigeria.

Table 5: Regression Summary (Nigeria)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Square</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>1995.066</td>
<td>1</td>
<td>1995.066</td>
<td>208.888</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>420.239</td>
<td>44</td>
<td>9.551</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2415.304</td>
<td>45</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey (2019).

Table 5 revealed that emotional intelligence predictors has a significant combined influence on bank service delivery in Nigeria. The table reveals R = .909, R Square = .826, Adjusted R Square = .822. This suggests that the predictor accounts for 82.2% (.822) variance in the prediction of services being delivered by banks in Nigeria. The remaining variance is as a result of variables outside the scope of the study. The ANOVA Table further revealed that emotional intelligence has significant contribution on bank service delivery in Nigeria: F (1, 44) = 208.888, P < 0.01.

Table 6: Regression summary (Liberia)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Square</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>341.107</td>
<td>1</td>
<td>341.107</td>
<td>40.506</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>387.372</td>
<td>46</td>
<td>8.421</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>728.479</td>
<td>47</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey (2019).

Data in Table 6 revealed that emotional intelligence predictors have a significant combined influence on bank service delivery in Liberia. The table reveals R = .684, R Square = .468, Adjusted R Square = .457. This suggests that the predictor accounts for 45.7% (.457) variance in the prediction of services being delivered by banks in Liberia. The remaining variance is as a result of variables outside the scope of the study. The ANOVA Table further revealed that emotional intelligence has significant contribution to bank service delivery in Liberia: F (1, 46) = 40.506, P < 0.01.
5.0 Discussion of Findings

Based on the outcomes of the study, it is obvious that employees’ emotional intelligence is fundamental to service delivery. Firstly, this study confirmed the existence of customers’ complaints among bank customers in both Nigeria and Liberia. This justified the need for the study and support the view of Alnsour (2013) which reported rising cases of customer complaints in the banking industry. Also, it was discovered that there is no significant difference between the employees’ EI level of Nigeria bank employees and Liberia bank employees. This suggests the importance of employees’ emotional intelligence in both countries. It was also affirmed that the level of emotional intelligence among bank employees in both Nigeria and Liberia is not really different. This finding corroborates result of Begum (2018), and Danquah (2015) which confirmed the importance of emotional intelligence among bank employees in this century.

Furthermore, self-management is the only significant contributor to quality of service delivery in Nigeria while social skill, social awareness and self-management were the predictors that significantly contribute to the quality of banks’ service delivery in Liberia. This implies that the contributions of employee’ emotional intelligence proxies differ because of the nature of service required by customers from the bank and may be because of bank context that is Nigeria or Liberia. This finding is not quite different from the results of Peter (2013) and Karimi (2014) which found self-awareness, and self-management as leading contributors to performance in service delivery. It is also in consonance with the finding of Kappagoda (2013) which affirmed disparities in the level of emotional intelligence of bank employees’ in Sri Lanka.

Lastly, result revealed that there is a significant combined influence of the predictors of employees’ EI on bank service delivery to customers in both countries. All the four proxies of EI investigated in this study jointly influence service delivery in the two countries with different significance though. This finding corroborates the position of Swarnalatha, & Sekar (2016) which revealed combined effect of EI predictors on bank service delivery and also advanced the findings of Nyerere & Barasa (2015) that reported self-awareness, social-skills, self-management and social -awareness jointly influence service delivery.

6.0 Conclusion

Bank service delivery is strongly tied to employees’ emotional intelligence. For banks to remain competitive and remain in business, it is expedient to appreciate the place of emotionally intelligent employees who will deliver services to customers. While many factors contribute to efficient bank service delivery, employees; emotional intelligence is significant. The outcomes of this research have shown this in both Nigeria and Liberia the contexts of the current study. However, predictors of employees’ emotional intelligence such as social skills, self-management, self-awareness, and social awareness differs in their contributions to bank service delivery. Self-management is of prime significance in Nigeria bank to service delivery while social skills, self-management, and social awareness count more in Liberia bank.

7.0 Recommendations

Based on the findings of this study, the recommendations were divided into folds:

To First Bank Management in Nigeria

Social skills of employees’ in the bank should be improved upon. The bank should constantly train employees on this and monitor the social relationship of their employees with customers because it is an embodiment of service delivery to the customers.

Social awareness creation among bank employees should be encouraged. This can be done through the promotion of necessary and relevant social issues to service delivery among employees at intervals.

Management of the bank are to ignite self-awareness among their employees. This can be initiated during orientation and refreshment programmes of the banks.

To Ecobank Management in Liberia

Self-awareness seems low and can be promoted to bring about excellent service delivery through employees of the bank. In this wise, employee self-discovery is important.

Also, training programmes that can enrich proxies of emotional intelligence in employees should be frequently organised. Specifically, emotional intelligence training should be carried out at intervals in the
To First Bank Employees in Nigeria

Social skills of employees’ must be improved upon. Individual employees of the bank should consistently attend social skills acquisition programs to facilitate social interactions of employees with customers.

Employees require to be more sensitive to customers’ needs as well as provide problem-based solutions to customers.

In order to reduce customer complaints, employees need to be curious about customers’ challenge and show interest in solving the service problem confronting customers at all times.

To Ecobank Employees in Liberia

To improve service delivery efficiency, employees of the bank must seek knowledge personally on how to continuously aid their relationship with customers’

References


Challenges for organizational structure and design as a result of
digitalization and cybersecurity

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Keywords
Digitalization, digital disaster, cybersecurity, organizational structure, and design.

Abstract
FinTech technologies and digital systems transformation have become the most commonly used words in the last decade, with a direct impact on any organizational structure and design. Rearranging values change the business process. The present paper emphasizes that, in order to remain competitive and achieve market longevity, organizational structures must keep up with the digital transformation and implementation of new security systems in order to face cyberattacks exposure. Protecting data (e.g., financial and clients), improving the performance but also the survival of institutions is related to the adoption of innovation and the adoption of digital changes into organizational culture and redesign its structure. The article aims to show how new technologies together with their requirements can improve the organizational structure to face actual challenges, such cyberattacks; and how digital transformation and the adoption of new technologies have changed the approach of the job requirements on the global level. In order to underline the necessity of amendments of the business process, the author redesigns an organizational structure taking into consideration new technologies challenges and implementations of new functions. The change proposed for redesigning the organizational structure is based on balancing the differentiation and integration among specialized departments, to avoid operational risks.

Introduction
Successful organizational change requires that you use all of the ingredients, inject lots of care and passion, and don’t take any shortcuts (McCalman and Potter, 2015). The new technologies and the informational reforms bring to the society new managerial demands for the efficient management of the necessary changes in the business and social environment. As businesses use more and more internet and computer networks, daily activities are dramatically being reshaped. Businesses, employees become better informed and can work more efficiently, yet there is uncertainty about data and job place about security at the same time. The digitalization and big data reveal both the opportunities and dangers for workers and businesses in the digital age. New digital technologies shape organizational design and cultural change (Jacobs and Yudken, 2003). An organization is a tool people use to coordinate their actions to obtain something they desire or value—that is, to achieve their goals (Jones, 2013). The actual development of the business approach, though FinTech has a direct impact on jobs and organizational structure, and concludes that the digital systems ultimately reduce transaction costs thereby aiding profit-making, and also assists workers, consumers, and citizens in challenging business practices, then, at the same time, it may expose data to cyberattacks.

Digital solutions and new technologies offer great potential to overcome massive development challenges and can contribute to achieving the goal of universal access to all business services (Moshirian, 2011). Digitization and digital business promise a universe of applications and digitalized assets that are expected to work together to allow rapid development of new capabilities that will give a competitive advantage (Moșteanu, 2019a). To remain competitive and achieve longevity in the market, businesses must keep up with the digital transformation (Moșteanu and Modarress Fathi, 2020). Using big data and digital systems, through the internet and IT devices may expose the business secrecy to cyber-attacks. Dispute cyberattacks become the first threat for business, which usually come with financial repercussions. Many companies from around the world started to use Artificial Intelligence in their business process because it helps companies to reduce operating costs, boost productivity and deliver the
ultimate customer experience. Artificial Intelligence is one of these game-changing tools for business. However, other companies are still shy in integrating and using Artificial Intelligence and new technologies for various reasons, mainly due to lack of knowledge, and/or lack of resources (Marketingcharts, 2017; Moşteanu 2020a). Cyberattacks are usually aimed at accessing, changing, or destroying sensitive information; extorting money from users; or interrupting normal business processes (Moşteanu 2020b). The present work paper seeks to show how new technologies together with their requirements can improve the organizational structure to face actual challenges.

**Literature review**

The survival of businesses is connected with the adoption of innovation, and embracing digital changes, to improve the efficiency and the performance within the organization (Scardovi, 2017). The reconstruction of organizations design using actual financial technologies imply new educational specializations and developing new skills and competences to fulfill different challenges and new job requirements. This requires promoting a stable business climate, offering an efficient infrastructure, using the newest technologies, which become the greatest conditions to welcome investments, employing actual technologies to boost economic development (Moşteanu, 2019b). Digital database technologies facilitate the generation, calculation, and circulation of the data required to (Williamson, 2016) develop new educational curriculum to prepare people for successful employment in a digitalized era. Digital systems are becoming more and more used, representing a much faster, cheaper, and safer way when it comes to financial transactions. Access to modern telecommunications systems is a priority in all countries around the world, as in their evolution, financial and banking systems implement, use, and encourage online services for domestic and international financial transfers (Moşteanu and Faccia, 2020). Digitization and digital transformation have become the most used words in the last decade, but especially in recent years. There is an excess of definitions of this term, used to describe the offline-to-online migration of commercial operations and businesses, including those found in many published research works (Moşteanu, 2020c). All of this comes to help businesses to develop their activity and to improve their productivity. However, digital exposure may lead to digital disaster or digital disruption, which requires cybersecurity (Moşteanu 2020e, f). Digital disruption is defined by Oxford College as a transformation that is caused by emerging digital technologies and business models. The digital innovative new technologies and models can impact the value of existing products and services offered in the industry. Therefore, the term disruption is used, as the emergence of these new digital products/services/businesses disrupts the current market and causes the need for re-evaluation (Oxford College of Marketing, 2016).

Cyber security, a concept that arrived on the post-Cold War agenda in response to a mixture of technological innovations and changing geopolitical conditions (Hansen and Nissenbaum, 2009). Over the year, due to the continue improving the technologies, hacking become more complicated. New and new cases of cyber-attack risen, such as Snowden & The NSA, 2013 (a former CIA copied and leaked classified information from NSA); Yahoo 2013-2014 (hackers broke into Yahoo, jeopardizing the accounts and personal information of all their 3 million users); WannaCry, 2017 (known as ransomv worm – targeted computers running the Microsoft Windows operating systems and demanded ransom payments in the Bitcoin cryptocurrency), (Murphey, 2019). All this was possible because, while there are significant advances in information technology and infrastructure which offer new opportunities, cyberspace is still far from completely secured. Currently, in many cases, the employed security solutions are ad hoc and lack a quantitative decision framework (Shiva, et.al., 2010).

**Research methodology**

The present work paper is exploratory research, based on investigative techniques. It is fundamental and qualitative research, which aims to identify the main impediments encountered in digitizing the activity of institutions, as well as the necessity of adapting the organizational structure and speed of adapting the workforce to the new requirements regarding the provision of innovative administrative and products and services through digital technology and cybersecurity systems. The paper presents how organizations redesign their structures to compete with new digital technologies. The research paper uses macroeconomic indicators from different regions of Europe, related to the new developments of the labor market, economic and social progress trends.
Findings

An organization’s environment is a complex network of changing pressures and forces that affect the way it operates (Jones, 2013). Environment is the one which leads to and entrepreneurship or to a change in organizational design. A business organizational structure is affected directly by the specific and general environments. Specific environment deals with customers’ desires and needs, with competitors’ activities, supply chain management, and governmental rules and regulations. General environment deals with socio-economic policies, cultural and demographic forces, international movements, and technological forces. Technological forces, such as the development of new production techniques, new information-processing equipment, use of big data and artificial intelligence, cloud services, and hyper-processing systems influence many aspects of organizations’ operations. The use of computerized manufacturing technology can increase productivity. Similarly, investment in advanced research and development activities influences how organizations interact with each other and how they design their structures. Digitalization transform the business operations in at least five ways (Maruti TechLabs, 2019): risk assessment; fraud detection and management; financial advisory services; trading; and managing finance. Figure no.1 presents how FinTech is improving a financial institution’s activity. Artificial Intelligence allows the automation of domains that require intelligent analysis and clear thinking. One of the biggest challenges faced by large banks, insurance is that large volumes of their historical data are stored in paper documents rather than in digital spaces. Machine learning models are necessarily trained on digital data, so financial institutions have to ensure that they digitize old documents before hiring scientists to build digital solutions or to purchase Artificial Intelligence software from vendors (Azuly, 2019).

Figure no.1: Artificial Intelligence used in different types of businesses. (Moşteanu, 2019c)

Institutions are based on and rely on computers and experts to determine future models of the market. Transactions and investments depend on the ability to accurately predict the future. The machines are excellent because they can shorten a huge amount of data in a short time. FinTech is beginning to be implemented in businesses by running behind-the-scenes algorithms able of processing huge amounts of information (big data) which would otherwise be either too large to comprehend by the human mind or too mundane. This international transfer of technology has important implications for an organization’s competitive advantage. Organizations must be able to learn about and have access to technological developments abroad that might provide a low-cost or differentiation advantage. New skills are required, new departments or functions will be created, and, in the end, the organizational structure will be redesign. Digitalization becomes an integrated part of any organization and is taken as a new investment in, advanced technology and business models to engage digital customers more effectively at every touchpoint in the customer experience lifecycle (Solis, et.al., 2014).

As we presented earlier, once with new digital technologies, cyberattacks appeared. Currently, a cyberattack can have many faces (research found at least 25): phishing; ransomware; malware; social
engineering; brute force; man-in-the-middle; Rootkit, DoS/DDoS, Botnet, Evil Twins, Keylogger, RAT, AdWare, Malvertising, Spam, Spyware, Virus, Worm, Trojan, Vishing, Watering Hole, Backdoor, Spoofing, Honeypot, Cyber-espionage. With the advances in information technology, criminals are using cyberspace to commit numerous cyber-crimes (Moșteanu 2020a; Moșteanu, et.al., 2020a). Cyber infrastructures are highly vulnerable to intrusions and other threats. Physical devices and human intervention are not sufficient for monitoring and protection of these infrastructures; hence, there is a need for more sophisticated cyber defense systems that need to be flexible, adaptable and robust, and able to detect a wide variety of threats and make intelligent real-time decisions (Dilek, et.al., 2015). Cyber security comes as the practice of protecting systems, networks, and programs from digital attacks, which access, change, or destroy sensitive information; extorting money from users; or interrupting normal business processes (CISCO, 2019).

Everything becomes digital or cyber: space, tools, literacy, solutions, data systems, education, generation, and types of markets. Institutional reforms in labor relations are carried out in the digital economy both in the content and in the form (Moșteanu, et.al., 2020b, c). New technologies restructure subject-object economic relations and change qualitatively a business approach based on special algorithms application (Vovchenko, et.al., 2017). In this respect, organizations are better to redesign their structure, work processes, and services provided in order to face the challenges of customers – workforce. Figure no.2 presents a possible solution to redesign an organizational structure in the banking industry.

Organizational structure is based on a system of interlocking roles, and the relationship of one role to another is defined by task-related skills. Figure no.2 presents how an organization is redesigning its structure taking into consideration new technologies’ challenges and implementations of new functions. Digitalization requires to redesign the organizational structure by balancing the differentiation and integration among specialized departments. In order to integrate FinTech and cybersecurity, new departments were created along with new job skills requirements. Also, a task force team was established in order to ensure the integration approach, between new IT requirements and regular business departments. Task-force teams are formed from managers with different specializations. As an organization increases in complexity, more than two departments may need to work together to solve common problems. Increasing an organization’s ability to serve its business effectively, may require, as an example, input from IT, legal, HR, marketing, strategy, and R&D. The solution commonly takes the form of a task force, a temporary committee set up to handle a specific problem. Moreover, even we tend to more organic business structures than mechanic ones, in order to ensure a proper cybersecurity system, a standardized approach (standard operation system) when it comes to big data protection, and internet communication is more than necessary.
Digitalization improves any organization’s activities, but also expose it to different cyber-attacks. From this perspective only redesigning activities and add new functions and departments, populated with people with dedicated skills is not enough. A certain budget is better to accompany all these changes. A study conducted by Deloitte (2019) which polled 500 Chief-level executives who oversee cybersecurity at companies with at least $500 million in annual revenue, it revealed that from total IT and risk management budget, only 56% from respondents specified that only a 10% budget is dedicated to digital transformation (figure no.3), and out of this 10% budget for digital transformation only 16% is dedicated to data security, 14% is dedicated to cyber transformation and another 14% to infrastructure security, the rest of the budget is dedicated to other integrated application and security infrastructure (figure no.4).

To tackle the digital skills gap, significant investments are needed. In the current European Union budget, the Commission proposes coherent and comprehensive support for building up the digital skills needed to support reskilling and upskilling in Europe for a successful digital transformation. Digital
Europe Program with a budget of €700 million will expand the digital talent pool with around 256,000 people who will be able to deploy the latest technology in business throughout Europe. In order to develop The Digital Europe Program, European Commission conducted research for the deployment of innovative digital technologies in five key areas: Supercomputing; Artificial Intelligence; Cybersecurity; advanced digital skills; and ensuring a wide use of these digital technologies across the economy and society in line with Europe’s ambitious sustainability goals and values.

Figure no.5. Respondents per country of origin (European Commission, 2019)

To see the real financial implications and the number of new job structures, the survey was focused on (European Commission, 2020): better understanding the potential level of demand for the different activities that are proposed under Digital Europe; understanding stakeholders’ opinions and interests with regards to the priorities set out for the strategic objectives of the digitalization; and, obtaining the information needed in view of implementation choices and of timely preparation of the work programs to face the challenges of the digital era. There were 960 respondents from all 28 European Union countries. 326 replies from European Union citizens, 171 from companies and business organizations, 41 from business associations, 124 from public sector entities, and 163 from academic and research institutions as well as several other groups. The largest number of responses came from Germany (13%), Italy (11%), Spain (8%), Belgium (7%), the Netherlands (7%), Romania (6%) and France (6%) totaling 56% of responses.

Findings show solid support for the main concern set out in the Digital Europe Program with more than 80% of the respondents approving the priorities across the main objectives. On the question Do you agree that the European Union should support member states in improving for the deployment of innovative digital technologies? For Supercomputing: 59% completely agree and 24% partially agree; for Artificial Intelligence – 64% completely agree and 24% partially agree; for Cybersecurity – 64% completely agree and 22% partially agree; for Advanced digital skills – 74% completely agree and 16% partially agree, and for ensuring a wide use of these digital technologies across the economy and society: – 62% completely agree and 24% partially agree. These responses transmit a tangible interest of citizens for their job stability, business for their continuity, academics, and researchers for new practical approach of the digital changes. Respondents were also asked to indicate how important they viewed European Union support for a range of areas where the new digital technologies could be deployed with a high impact. The results indicate a very strong support for EU support for digital technologies and their use in creating a clean planet (70.5% - very important), the digital transformation of learning and education (62.5% - very important) and a more trustful and safer internet (54.9% - very important). On the other hand, the responses indicate less support for the uptake of the blockchain (32.1% - particularly important).

Conclusions
Digitalization has come into wide use in contemporary business media to signify the transformational or disruptive implications of digital technologies for businesses (Nambisan, et.al., 2019) (new business models, new types of products and services, new types of customer experiences) (Boulton, 2018; Boutetiere, Reich, 2018) and more broadly, to indicate how existing companies may need to radically transform themselves to succeed in the emerging digital world (McAfee, Brynjolfsson, 2017; Brynjolfsson,
2011; Rogers, 2016; Venkatraman, 2017). Digital transformation affects all businesses; however, new enterprises are giving more attention to offering new digital solutions (Ayandibu, Houghton, 2017).

Today’s cyber leaders are focused on digital transformation as an important strategy to achieve greater efficiencies while also better protecting the business (Deloitte, 2019). That sets attention to digital transformational capabilities. Figure no.6 presents digital transformation ranked by initiatives. The results is could lead us to believe that organizations are on track in their digital transformation, but if we dig into additional findings, the data show a distinct reality.

Figure no.6. Top ranked digital transformation initiatives (Deloitte, 2019)

Cyber-attacks are a real threat. Today data become more valuable than money, gold, or stocks. Cyber-attack is a real threat and will increase in its intensity and sophistication in the coming years. Thus, the research underlined the importance of redesigning the organizational structure for any business, giving more attention to cyber security, and to employ specialized personal, able to identify and develop a solution for data security and cyber transformation.

So rapid are the developments, in fact, that while the digitization of everything has become a hallmark of tech’s promise of individual and business empowerment (Muro, et.al., 2017; Moșteanu, 2020d; Moșteanu and Galea, 2020). In the digital age, organizations need to reinvent themselves at a structural level and to become suppler (Moșteanu, 2019b).

If years ago, digitalization was not a concern, currently a demand development for new skills and qualifications is an actual market outcome. The research finds out that the main challenges encountered in digitizing the activity of institutions came out from the redesigning of organizations structure which started to use actual technologies, and this entail developing and implementing an integrated approach of functions and responsibilities.

Limitations and direction for future research

The present research paper presents some limitations in terms of data related to the number of organizations which redesign their structure in order to integrate the new technologies in their business processes. The author intends to develop a further research, based on more detailed information and data correlated to the skills, competences, and activities required for developing and implementing digital systems in any organizational structures, as well as the reallocation and the requalification of employees.

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Strategic alliance as a catalyst for restructuring of the global economy: a theoretical perspective.

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Key words
Alliance, catalyst, global knowledge, restructuring, strategy, economic planning.

Abstract
This paper examines strategic alliance as a model for re-aligning the global economy towards sustainable peace and development in the emerging new world order. The paper aims at critically examining the existing positions/status of various countries of the world, particularly, the dichotomy between under-developed, developing and developed nations as well as regional integrations and separatists associations or groupings vis-à-vis the general economic positions of the various nations of the world, thus juxtaposing the highlights towards repositioning or restructuring of the global economy. The paper adopted a theoretical perspective with a view to unveiling the critical indices within the variables of interest and proposed a new direction in the academic genre of world economic conferences. The paper concludes that the world economy is evolving, and emerging trends indicate a tumultuous transition that requires global attention, rather than separatists’ approach by individual nations or groups. The paper therefore, recommends, (i) immediate convocation of international/global conferences on economic restructuring cutting across all nations, irrespective of the status in economic growth; (ii) a re-alignment and adjustments in the barriers posed by nations on inter-regional employments; (iii) an increased tempo in cross-border exchange in various relationships in entrepreneurship studies as well as other key educational and skill development programmes, (iv) cross-fertilization of ideas, skills, competences and knowledge across nations irrespective of creed, color or location; (v) a total re-skilling, re-tooling and reinvigoration of mutual co-existence rather than rugged individualistic and self-reliance approach of nations. The paper is significant in policy analysis and global economic planning.

Introduction
The world economy in recent times is facing challenges; so much so that even the best economic pundits have failed in their various postulations leaving the uninformed in utter chagrin as to believe that the world is coming to an end! The present situation cut across dwindling economic fortunes of nations, global security threats, global warming, deforestation problems as well as radical social dismemberment of citizens across various nations. These challenges pose serious economic, social, and psychological threats to leaders of the various countries of the world. The rising unemployment statistics accentuated by the increasing literacy rates of nations and development in information and technology (ICT) have not helped matters.

Worried by these situations, world leaders have engaged in various strategic conferences covering large spectrum of thematic areas. In all these conferences, seminars, symposiums, and interactive meetings between leaders there still appear to be mutual suspicion among each other.

In Africa, for example, Nigeria/ South Africa relationship which is supposedly expected to be rosy and convivial beyond racial, ethnic, color and regional differences considering Nigeria’s investment in South Africa during the apartheid regime, her citizens suddenly woke up to face all manner of hate and dastardly attacks on their personal businesses and attempt on their personal lives by certain groups of persons. The next thing was to tag it a name ‘Xenophobic’. Much as these actions do not truly portray Nigeria/ South Africa relations, there are also various assaults and deprivations suffered by other citizens across the globe in several proportions without serious attention and support.

Sometimes, it seems as if the world leaders just sit and watch these molestation, maimings, killings and dehumanizing of citizens of another country without outright condemnations, sanctions, or
possible repudiations. Although, there could be subtle reactions and undercurrents by these leaders, their actions are seen by the victims as not being prompt and enough to assuage their feelings and expectations. But the fact remains that an injury to one is injury to another. That is the spirit of comradeship! What is more obvious in the emerging world order is that no single nation can sit down and say to other countries “go to hell”, in assumption of complete self-reliance, independence and self-sustaining without an iota of need from one another! When world leaders rise up in unison to condemn bad leaderships, mistreatment of one country’s citizens by another country, recommend and implement sanctions against defaulting countries, citizens will begin to fill a sense of belonging thus bringing their best and contribute to the economic development of any nation irrespective of where they live!

There is no doubt that there exist United Nations, The G-8, The AU, European Union, Arab League, Shanghai Cooperation, Caribbean Community, among over 300 intergovernmental and 68,000 international organizations (both active and inactive). More separatists associations and organizations are also formed even within the unions thereby exacerbating the mistrust that continues to remain the bane of the entire world order! Lack of trust in each other, mutual suspicion, neglect, non-inclusion are the drumbeats that undermine convivial, genuine discussions for reconciliations, mutual co-operations, agreements, and memoranda endorsements among nations.

Consequences of these actions steer every country straight on its face. Economic instability, political upheavals, insecurity and youth restiveness across the globe, intolerance of bad leadership by citizens, rising challenges on our leaders as well as depleting natural resources and challenging high unemployment figures!

Irrespective of the manner in which countries continue to pretend to work together through bilateral agreements, as long as countries continue to barricade their borders without mutual respect for citizens of other countries in a more strategic manner, we would continue to preach mere lip-service gospel of regional integration, cooperation, alignment, and cross border relationships.

This paper therefore, examines the pitfalls of existing positions/status of various countries of the world, particularly the dichotomy between the existing structure of nations with a view to recreate a model for strategic alliances in the restructuring of the global economy towards sustainable peace and development. This is the kernel of the treatise.

Conceptual Review

The term, “Alliance” has remained a very potent word for global associations, unions and collaborations aimed towards the achievement of common interests. Literally meaning ‘to join forces in order to gain an advantage over something’, somebody, an organization or an entity; an alliance is a relationship among people, groups, or states that have joined together for mutual benefit or to achieve some common purpose, whether or not explicit agreement has been worked out among them. Members of such alliance are therefore, referred to as ‘allies’

Hence, there exist arrangements in which two or more countries, groups etc agree to work together to try to change or achieve something. Britain’s military alliance with her North Atlantic Treaty Organization (NATO) partners; alliance between two companies to market a product; a close relationship, especially a marriage, between people are forms of alliances that exist, among others.

Forging of alliances have been reported in various literature. Japan made an alliance with Britain in 1902; political/military alliance with world powers during world war 1 and world war 11 among a list of 648 alliances between 1815 and 2003 based on the Alliance Treaty Obligations and Provisions (ATOP) (Leeds et al, 2002).

Most alliances have been quite small, with the average number of members being just over three. But the major powers and European states have been reckoned with alliances quite frequently. Just six European powers- the United Kingdom, France, Germany, Austria, Hungary, Italy, and Russia/Soviet Union- account for one-quarter of all alliance memberships during that period. Many more alliances have existed between the period under review (1815-2003) and now. Whether political alliances, military alliances, or business alliances, what is important is that alliances are forged for mutual benefit or to achieve some common purpose.

On whether alliances have negative or positive effects, scholars have divided opinions on the impact of alliances. Some authors believe that allies fulfill their alliance commitments approximately 75%
of the time, while democracies are seen to be more reliable allies than non-democracies. Other authors in 2018 study updated and extended the data from the Journal of Conflict Resolution study and found that allies only fulfill their commitments about 50% of the time from 1816 to 2003. Also records show that “States honored their alliance commitments 66% of the time prior to 1945 but the compliance rate drops to 22% from 1945 to 2003. The rates of fulfillment for defense pacts (41%) and nonaggression pacts (37%) are dramatically lower than offensive alliances (74%)” (Berkemeier& Fuhrmann, 2018).

On alliance preference, the international opinion according to 2017 polls holds that the United States was the most preferred ally internationally. Russia and China, who preferred one another, both trailed behind America globally. Four countries, Bulgaria, Greece, Slovenia, and Turkey, preferred Russia, despite being members of NATO.

In Pakistan, 72% of respondents preferred ties with China, the largest margin of any country surveyed, while 46% of Bangladesh preferred India. A total of 22 countries indicated a preference for the United Kingdom at a rate of 10% or more, but the United States was the only country to prefer the Britain over any other, at a rate of 43%. Five countries preferred France at a rate of 10% or more, led by Belgium at a rate of 25%. A single country, Iraq expressed no preference, while three other countries, Lebanon, Palestine, and Slovenia, expressed no preference at a rate of 11% or more, although at a smaller rate than their preference for Russia on the part of Lebanon and Slovenia, and China on the part of Palestine. Kosovo reported the most unified opinion, preferring the United States at a rate of 92%, while Russia’s most unified supporters were Mongolia (71%), Armenia (67%) and Serbia (56%). In total, 21 countries expressed preference for America at a rate of 50% or more. Catalyst is a word used loosely in this treatise to mean something adopted to ‘speed up’ or catalyze a process. Hence, strategic alliance is used to speed up or catalyze the restructuring of the global economy.

Strategy is a modern phenomenon with a clear beginning in time. It is a term synonymous with the military. Strategy was first used by Count Guibert in 1779, but today, it has fallen into almost universal usage in social, political, economic, environmental, and military studies. The word “strategy” is from the Athenian title Strategos, for ‘general’ or “leader of troops” which was derived from the verb stratigema meaning ‘to lead or command an army’ and indeed, from ancient to contemporary times, the military assumed almost the monopoly of large scale planning for effective management. Not until the 1940s did large-scale planning characteristic of the military become evident in other areas of human endeavors at first, in imaginary conflicts or game theory, and thereafter, followed by business, industry and even government policy-making.

Today, as it were, every business engages in strategic planning. Thus, we can now speak correctly of strategic investment, strategic weapon, strategic theatre, strategic thought, marketing strategy, political strategy, and now, ‘strategic alliance’!

Strategy depicts a plan of action designed to achieve a long term or overall aim or the art of planning and directing overall military operations and movements in a war or battle. It is also an action that managers take to attain one or more of the organization’s goals. Hence the word, strategy is synonymous with terms like ‘arrangement, blueprint, design, game, game plan, program, project, road map, scheme or system’. The above clarifications have become necessary to give a clear direction of the term ‘strategy’ and its use in the context of this paper and give credence to logical colorations of the variables of interest.

Therefore, whether strategy is considered from the standpoint of political, economic, environmental angles, or even wars, the focus of this paper is that much of these strategic energies should be channeled towards making the world a more unified place to live in! Whether strategic plans are of the types: gorilla, flanking, frontal; or even “operation desert-storm” and now “operation global storm”, more emphasis should be placed on how these strategic formations can be employed to improve the economic base of nations vis-à-vis global economic transformations.

Global Economic Restructuring

The term ‘restructuring’ in this paper signifies an existing imbalance in the global economic arena. However, the type of restructuring here revolves around the diversification of economy of nations, investment in information and communication technology (ICT), technological transfer, cross-border trade exchange co-operations, intellectual property exchange relations, as well as political, social and
psychological change.

When nations begin to recognize their individual capabilities and cooperate with each other, irrespective of whether it is underdeveloped, developing, or developed, in the new “global strategic alliance model”, nations will in no distant time exit from poverty, disease, recession, insurgency, extremism, unwarranted religious animosities and antagonisms. Hence, the dividing lines between the underdeveloped, developing and developed nations will become narrower and narrower for better global economy and world peace.

Dichotomy Between Underdeveloped, Developing and Developed Nations vis-à-vis Economic Underpinnings.

The nations of the world have since been polarized between underdeveloped, developing and developed countries. It is no gain saying that all fingers are not equal. It is also more fastidious to recognize that in a family setting, there is often the evidence of “first borns”, “second borns” and “third borns”, etc. While recognizing “big brothers” evidence in the polity of nations giving rise to acronyms such as underdeveloped, developing, developed, super powers, underdogs, among others, it is also pertinent to understand that irrespective of the status of nations, as far as these nations are part of the evolving “global village”, “a unified family”, so to speak, it therefore behoves member nations to offer helping hands in a strategic manner to build a virile, strong and united world that knows no poverty, disease, wobbling and fumbling economy, extremism, security challenges, as well as mutual suspicion and lack of trust.

As long as some countries continue to struggle about provisions of basic infrastructure, payment of salaries of public workers, maintenance of government apparatus and political structures, dishonesty in executing government policies as well as ingrained corruption, there will continue to be the problem of economic recession, underfunding of projects, lack of basic amenities, poverty, disease etc leading to deprivations that characterize nations as underdeveloped and developing. But, when nations offer helping hand to each other and begin to assist each other to invest in manpower development and capacity building, entrepreneurship, infrastructure like standard hospitals to take care of health care of citizens, quality and functional educational systems, electricity, good land, sea and air transport networks as well as investment in ICT, latest technology and good governance, the mutual suspicions among nations will disappear and nations will begin to fast-track their development to catch up with the trend by utilizing their potentials and tapping into areas where each country has comparative advantage.

A country’s culture for example, can lift a nation out of poverty. Great investments are currently being made in cultural tourism. Nigeria, for example, tapped into her culture about 30 years ago, and today, she earns over $30 billion annually through cultural tourism. Nigeria’s Nollywood, for example, is fast competing with Hollywood and other cultural artistry in the world. Other so-called less privileged countries of underdeveloped nomenclature can as well key into their rich potentials in a strategic manner!

If nations can spend 50% of their expenses in political elections and campaigns, investments in security equipment, wastages in political positions, execution of wars, insurgencies, etc, in capacity building, provision of strong infrastructural base and enabling environment for entrepreneurship development and youth employment, the world would remain more peaceful devoid of antagonism, religious extremism, insurgent attacks, separatist formations as well as ethnic cum racial colorations!

It is, therefore, on the above standpoint that the author makes bold to say that all forms of agitations for state creations/ independence, ethnic militia, kidnapping/ hostage takings, internet fraud, among others are indices for under development and/or lack of good governance!

Although, the general characteristics of underdevelopment consist of:
- Low per capita income (an underdeveloped country is a poor country)
- Inequitable distribution of wealth (mostly exacerbated by corruption)
- Deficiency of capital (as a result of overdependence on importation against increase in productivity)
- Unemployment and underemployment (Due to low emphasis on entrepreneurship and creation of enabling environment)
- A dualistic economy (Due to overdependence on imports)
- Technical backwardness (Due to low investment in ICT and Latest Technology).

The indices constitute major highlights in the underlying problems that characterize
underdeveloped countries. Based on the Human Development Index (HDI), the list of ten most underdeveloped countries in Africa includes the following:

- Central Africa Republic: GDP Per Capita $333
- The Gambia: GDP Per Capita $371
- Niger: GDP Per Capita $415
- Liberia: GDP Per Capita $454
- Madagascar: GDP Per Capita $463
- Democratic Republic of Congo: GDP Per Capita $484
- Ethiopia: GDP Per Capita $505
- Guinea: GDP Per Capita $558

And the ten most underdeveloped countries in the world according to the Human development Index (HDI) are:

- Niger (.354)
- Central African Republic (.367)
- South Sudan (.388)
- Chad (.404)
- Burundi (.417)
- Sierra Leone (.419)
- Burkina Faso (.423)
- Mali (.427)

Notably, developed nations are generally categorized as countries that are more industrialized and have higher per capita income levels, while developing nations are those that are less industrialized and have lower per capita income levels. The economic inequality between developed and developing nations basically revolves around the per capita income. To be considered a developed nation, a country generally has a per capita income around or above $12,000. Most developed countries boast of per capita income of approximately $38,000.

Based on the 2010 survey, the list of developed nations included United States, Canada, Japan, Republic of Korea, Australia, Taiwan, Israel, New Zealand, Scandinavia, Singapore, Taiwan, countries of Western Europe, and some Arab states. By 2012, the combined populations of these three countries accounted for around 1.3 billion people. The populations of developed countries are generally more stable, and it is estimated that they will grow at a steady rate of around 7% over the next 40 years!

In addition to having high per capita income and stable population growth rates, developed nations are also characterized by their use of resources. In developed countries, people consume large amounts of natural resources per person and are estimated to consume almost 88% of the world’s resources.

Developing Countries, on the other hand, possess similar characteristics like the underdeveloped countries except that developing countries possess:

- High population growth rate/size
- Dependence on primary sector
- Dependence on exports of primary commodities

Developing nations include countries that are less industrialized and have lower per capita income levels. Developing nations can be further divided into moderately developed or less developed countries. Moderately developed countries have an approximate per capita income of between $1,000 and $2,000. The average per capita income for moderately developed countries is around $4,000. Based on the 2012 survey, the list of moderately developed nations is exceptionally long and accounts for around 4.9 billion people. Some of the most recognizable countries that are considered moderately developed include Mexico, China, Indonesia, Jordan, Thailand, Fiji, and Ecuador. In addition to these specific countries, many others from Central America, South America, Northern and Southern Africa, southern Asia, Eastern Europe, the former U.S.S.R, and many Arab States, are all considered moderately developed countries.

Less developed countries are the second type of developing nations. They are characterized by having the lowest income, with a general per capita income of approximately less than $1,000. In many of these countries also, the average per capita income is even lower (around $500). The countries listed as
less developed are found in Eastern, Western and Central Africa, India, and other countries in the Southern Asia. In 2012 survey also, there were around 0.8 billion people who lived in these countries and survived on extraordinarily little income.

From the foregoing, therefore, it can be said that there is a thin line between underdeveloped and developing countries. Hence, it can equally be deduced that there are two basic divisions of countries of the world. It is either a country is developed, or it is underdeveloped! Therefore, to bridge the gap between the two, the author believes in the formation of a strategic alliance between the underdeveloped and the developing countries and between the developing and the developed countries. These strategic alliances are therefore in the forms of global coalitions working together to make the world a better place. These coalitions / alliances can be formed in international exchange programmes bordering on economic, social, political, cultural, sustainable energy, international peace, and development.

Building strategic alliances/ coalitions does not in any way deny countries of their natural endowments and potentials; it does not stop the countries who are already rich from being rich- it will even propel them to get richer! It does not call for total neglect of nations’ security apparatus. Countries must put measures to check unforeseen aggressions, attacks, strategic border control measures, economic and future development plans/ measures, strategic enabling laws to check and deal with crimes committed by citizens as well as non-citizens, among others.

The system of tagging opposing groups/ endangered nations with “names” is nice for purposes of identity, however, it is better to recognize the ‘enemies’ of the world peace in a more strategic manner by forging alliances, coalitions of trust and engaging the enemies in “ continuous strategic dialogue” to knell the root causes of the issues at hand and seek appropriate measures to calm frayed nerves across the globe. Condemning or tagging nations with crimes is not the solution but dealing with criminality based on the established and existing extant laws of the united nations would be beneficial in creating a more convivial environment for all citizens, irrespective of colour or creed. The moment the barriers between separatists’ groupings are broken through ‘regular strategic dialogue’, the moment a “new unified united nations” would emerge!

Considering the above standpoints, therefore, it is apparent to note that no country would lose anything if the remaining world population that is less developed joins the developed nations. Therefore, the time is ripe, the time for global coalition/ alliance for economic restructuring is now. As countries struggle out of the volatile situations brought about by civil unrest, corruption, tribal wars and deep poverty and engage in strong belief in its capabilities, strong commitment for success, determination to change the status quo, leveraging on areas of comparative advantage and excellent management of available resources, only then can genuine progress be noticed and the result of collaborations, strategic alliances for economic growth and development as well as desired global economic restructuring will be meaningful.

Conclusions

The world economy is evolving, and emerging trends indicate a tumultuous transition that requires global attention, rather than separatists’ approach by individual nations or groups. Countries’ potentials and present situations and levels can no longer be relied upon going by the demystification of economic forecasts by emerging trends of economic recession, burgeoning unemployment figures, changing patterns in taste, deforestation, depleting natural resources as well as political and security challenges.

This paper, therefore, is an attempt at developing a model for survival in the present global economic quagmire. The paper reviewed the dichotomies between the underdeveloped, developing and developed economies, believing that irrespective of the economic positions of countries, no one nation can boldly say, “I don’t need your help” to the other countries. It is against this backdrop that the paper enjoins countries to think less of their ratings in the global economic arena and focus more on creating an enabling environment that will involve all citizens irrespective of creed, race or colour, in tackling global challenges together because an injury to one is injury to all!

Global economic restructuring, is a challenge to the entire world, hence a call is made for the adoption of strategic alliance between the developing and developed nations as a major step towards creating a more unified economic environment that offers every nation opportunity for growth and
development as well as peaceful coexistence based on mutual trust and respect for each other.

**Recommendations**

The following recommendations have been put forward towards achieving the targets of global economic restructuring through the new model of strategic alliance:

1. Immediate convocation of international/global conferences on economic restructuring cutting across all nations, irrespective of the status in economic growth.
2. A re-alignment and adjustments in the barriers posed by nations on inter regional employments.
3. An increased tempo in cross-border relationships in entrepreneurship studies as well as other key educational and skill development programmes.
4. Cross-fertilization of ideas, skills, competences, and knowledge across nations irrespective of creed, colour, or location.
5. A total re-skilling, re-tooling, and reinvigoration of mutual coexistence rather than rugged individualistic and self-reliance approach of nations.
7. Formulation of new initiatives in International / Intercontinental/ Inter-regional free zones.
8. A renewed vigour and strengthening of United Nations Industrial Development Organization (UNIDO), World Trade Organization (WTO), as well as United Nations International and Cultural Organization (UNICEF), UNDP, UNCTAD and other organizations to reflect current global changes and demands.

**References**


Euro-Asia Regional Report on the implementation of the Vienna Programme of Action, UNCHRLLS, ESCAP and UNECE (2019).


Effect of financial inclusion on entrepreneurial growth in retail and wholesale sub-sectors: Evidence from Nigeria

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Keywords  
Entrepreneurial growth (EG), financial inclusion (FI), retail sub-sector, wholesale sub-sector

Abstract  
Financial inclusion has been globally recognised as essential for capital accumulation, easy financial services accessibility, poverty alleviation as well as entrepreneurial and economic growth. As Nigerian government is making progress in the achievement of financial inclusion, many businesses seems to be springing up in the financial and other economic sectors with intention to tap from the growing access to official financial services. This paper aims at ascertaining the effect of financial inclusion (FI) on entrepreneurial growth (EG) in retail and wholesale sub-sectors in Nigeria using quarterly data from the World Bank’s World Development Indicators and the Central Bank of Nigeria. Data were analysed using correlation analysis and error correction approach. The results reveal that FI has a significant positive effect on EG particularly in the context of the retail and the wholesale sub-sectors contributions to gross domestic product (GDP). The results further indicate that account ownership (ACN) did not have significant influence on the growth rate of the retail and the wholesale sub-sectors, while commercial bank branches (CMB) was found to have significant influence on the growth rate of the retail and the wholesale sub-sectors. This implies that CMB is a critical FI channel with potentials of driving the EG particularly in the context of the retail and the wholesale sub-sectors contributions to GDP. We recommend that government should establish more CMB in all rural areas in Nigeria for easy access to official financial products by the unbanked entrepreneurs. Also, FI stakeholders should deepen efforts in encouraging ACN through improving on financial literacy of the vast unbanked populace so that formal financial system through capital accumulation can serve the needs of entrepreneurs for effective growth and contributions to GDP.

Acknowledgement
The authors duly appreciate World Bank and the Central Bank of Nigeria for making data used for this study possible.

1. Introduction
In recent times, FI has become a crucial economic strategy for the achievement of national economic growth and sustainability in both developed and developing economies. The positive effects of FI on economic growth are mostly seen in developed countries like United States, United Kingdom, Germany, China and Japan where FI rate is very high compared with developing countries like Nigeria where FI rate is very low (Nkwede, 2015). The low rate of FI in Nigeria is buttressed by the result of a survey carried out by Enhancing Financial Innovation and Access (EFInA) in 2008 which revealed that more than half of the adult population are excluded from financial services (Arogundade, 2019). To handle the situation, Nigerian government established commercial banks and community banks thereby bringing financial services nearer to the vulnerable and unbanked citizens. Through the extension of the financial services, financial exclusion rate dropped from 53 per cent to 46.3 per cent by 2010. Spurred by this
development, the Central Bank of Nigeria (CBN) and major FI stakeholders initiated the National Financial Inclusion Strategy (NFIS) to reduce the exclusion rate to 20 per cent by 2020 (Arogundade, 2019).

Relatively, the FI rate achieved so far in Nigeria is expected to have effect on the entrepreneurial and economic growth rate which seems to be insignificant considering the dwindling economic activities in the country. This expectation is based on the general consensus that FI of the vulnerable and unbanked population in a country will lead to capital accumulation, business, and economic growth. Beyond this, it is discovered that the effect of FI on EG in retail and wholesale sub-sectors in Nigeria has not received the desired empirical study. The fewness of literature in this area leaves little to be desired since government, CBN, economic development experts, financial institutions and other stakeholders would find the research result(s) extremely useful in making economic decisions. Also, entrepreneurs who are the unit of analysis of this study are the backbone of economic growth through their contribution to GDP, job creation and value-added functions. It is against these backgrounds that this study aims at ascertaining the effect of FI on EG in retail and wholesale sub-sectors in Nigeria. Unlike most existing studies, which relied on micro level data, this paper exploits macro level data by using quarterly dataset for the period 2010: Q1 – 2016: Q4 which were available. The data were obtained from the World Bank’s World Development Indicators and the Central bank of Nigeria. In this study, we utilized the retail and the wholesale sub-sectors contributions to GDP as a measure of entrepreneurial growth.

2. Literature review

2.1 Overview of financial inclusion (FI)

Financial inclusion is the process of extending financial products to the unbanked and vulnerable populace. This process enables individuals and businesses to have access to financial services such as deposit, loans, insurance, payments, and fund transfer at their convenience and to meet economic needs. In other words, it is the bringing home of financial services at an affordable cost to the disadvantage group in the society, especially the low-income and underprivileged (Gwalani & Parkhi, 2014).

Generally, FI is an essential means to an end and not an end in itself. It has been revealed to be a means to achieving financial services accessibility, capital accumulation, poverty alleviation, increasing savings and investments, greater financial stability as well as entrepreneurial and economic growth in both developed and developing countries (Terzi, 2015; Onaolapo, 2015). Beck and Demirguc-Kunt’s study, conducted in 2006 (as cited in Lakuma, Marty, & Muhumuza, 2019) also pointed out the importance of FI by saying that it helps to alleviate enterprises’ growth constraints and increases their access to finance thus leveling the playing field between firms of different sizes. Specifically, FI connects and avail people the opportunity to interact with banks which yield social and economic benefits both to the individual and the nation. Chong and Chan’s study, conducted in 2010 (as cited in Kama & Adigun, 2013) also emphasized that access to a well-functioning financial system through creation of equal opportunities enables socially and economically excluded people to integrate into the economy and actively contribute to economic growth.

2.2 Financial inclusion in Nigeria

Prior to the recent efforts to increase the FI rate in Nigeria, the economy was largely cash based. This made the issue of financial inclusion a major economic challenge that attracted the attention of government over the past four decades (Kama & Adigun, 2013). Among the major government efforts which aimed at promoting FI was the establishment of commercial banks in rural areas of the country, interventionist financing arrangements and building of institutions and frameworks that promotes FI.

Recently, government took critical initiative by incorporating FI as one of the cardinal objectives of the Nigerian Financial System Strategy 2020 (FSS 2020). The FSS 2020 represents a holistic and strategic road map and framework for developing the Nigerian financial sector into a growth catalyst that will enable Nigeria to be one of the 20 largest economies by 2020 (Kama & Adigun, 2013). The strategy identified six stakeholders (regarded as the suppliers in the value chain of FI) namely banking institutions, non-bank financial institutions, insurance companies, capital market players, pension institutions and technology providers together with their regulatory bodies. The determination of the government to expand FI in Nigeria is clearly shown in the six initiatives adopted to strengthen the domestic financial market in which four initiatives directly addressed FI. The four initiatives are development of varied
financial products, enhancement of payment processes, development of credit system and encouragement of a savings culture. The aim of the government initiatives is to achieve a state in which adults above the age of 18 have formal easy access to a broad range of financial products which are appropriate, provided at affordable cost and with dignity of the citizens.

According to Arogundade (2019) the implementation of FI strategy has brought about a decline in financial exclusion in Nigeria, thereby improving FI rate over the past years. He reported that the 2018 survey of the Nigerian financial system carried out by EFInA recorded a major boost in FI rate when compared with previous years’ rate. The survey showed that the number of people who currently have access to financial services has increased to 63.6 per cent while only 36.4 per cent are financially excluded compared with 46.3 per cent of exclusion in 2010. The indicators upon which the survey was conducted include banked population, savings, remittances, payments, loans, and banking agents. According to the survey, digital payments increased tremendously. An increase from 5,000 monthly volumes in 2011 to 30 million in 2018 is made visible in the quantity of card transactions on POS as reported by the director of Nigeria Inter-Bank Settlement System. There has also been an increase in the quantity of installed POS terminals from 10,000 in 2011 to 200,000 in 2018 - an indication that the measures and initiatives put in place were productive.

2.3 Financial inclusion (FI) and entrepreneurial growth (EG)

Entrepreneurs are globally recognised as the engine of economic development and growth through their value-added functions. According to Ageme, Anisiuba, Alio, Ezeaku and Onwumere (2018) access to financial services offers entrepreneurs and real sector business owners the opportunity to grow their businesses, manage, mitigate risk, sustain and be able to absorb financial shocks. It also offers them the opportunity to make daily payments reliably, access credit conveniently, save cash for unforeseeable risks or future investment and also achieve insurance in a sustainable way. Moreover, availability of financial services fosters the achievement of economic functions such as contribution to GDP, utilization of unused raw materials and human resources, employment creation, meeting of local needs, stimulation of business competition and economic growth/sustainability (Terzi, 2015; Riwayati, 2017).

2.4 Retail and wholesale sub-sectors in Nigeria

Retail refers to the sale of goods or services directly to the end-users in small quantity. According to Sarker and Ashrafi (2018) a retail store offers a wide range of necessity goods for household and daily living. In Nigeria, retail stores are mostly patronized by unbanked population and the industry controls a large percentage of the total trading sector. Based on research findings, Oluwaseun (2017) revealed that the unbanked population control about 70% of daily retail transaction resulting to the increasing number of informal financial operators whose activities are not regulated, and high volume of liquidity which could have been used to create economic opportunities if deposited in formal financial institution. The percentage distributions of retail sub-sector transactions in Nigeria are presented in table 1.

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Transaction Analysis</th>
</tr>
</thead>
</table>
| 5%         | -Early transaction Services (12am – 8am)  
- Typically use ATM and Internet Banking  
- Value tied down in commodities for trade |
| 25%        | - Typical Banking Hour (8am – 4pm)  
- Supported by all Banking Services  
- Limited to Branch presence and Internet |
| 70%        | - Typical Cash Transaction (4pm – 12am)  
- Dominated by Non-Financial and Unbanked  
- Alternative Banking Services holds 5% |

Table 1 Retail Transaction Analysis  
Source: Adapted from Oluwaseun, 2017

The retail transaction analysis showed the financial exclusion level which the government FI strategy is greatly aiming to address.

On the other hand, wholesale refers to the sale of goods or services in bulk directly to retailers and other outlets who are not the end users. Wholesalers deal on different kinds of product such as household,
technology driven products/materials, telephone accessories, electrical and office materials. They engage in B2B (business to business) sales. Wholesalers mostly create easy-to-pay-invoices that include customer purchase order (PO) numbers or billing codes, list of goods and prices as well as payment terms (Scott, 2019). However, access to financial services such as online fund transfer, bank credit and insurance among others occasioned by FI target has simplified finance and payment processes which made growth in wholesale business easier.

2.5 Theoretical review

According to Okoye, Adetiloye, Erin and Modebe (2017) the relationship between finance and real activity can be traced to Smith in 1776 who argued that the real growth in an economy is driven by the activities of the financial sector based on the fact that increased production and specialization are facilitated by enhanced credit resource acquisition offered by the financial system. Okoye, et al. (2017) also pointed out that Schumpeter in 1912 avers that technological innovation (a prerequisite for productivity growth) is facilitated by financial sector through efficient resource accumulation, mobilization, and allocation. In other words, financial sector is vital for a successful entrepreneurial engagement in technological innovation because translating innovative thinking into real output has cost implications which may not be covered by entrepreneurs themselves (Homaid, Minai, & Al-Ansi, 2018).

2.6 Empirical review

In studying FI across Africa, Demirguc-Kunt and Klapper (2012) examined the use of financial services by small and medium enterprises (SMEs) in Africa compared with SMEs in other developing regions in terms of account ownership and availability of lines of credit. The study revealed that less than a quarter of adults in Africa have an account with a formal financial institution. Also, many adults in Africa use informal methods to save and borrow. Moreover, majority of SMEs in Africa are unbanked, and access to finance is a major business obstacle. Compared with other developing economies, high-growth SMEs in Africa are less likely to use formal financing which suggests that formal financial systems are not serving the needs of enterprises with growth opportunities.

Salman, Ayo-Oyebiyi and Emenike (2015) examined the effect of FI on SMEs growth and economic development in Nigeria by looking into three dimensions – mobile banking, banking services and banking penetration. The research outcome showed that FI with the three dimensions studied has a significant positive effect on the growth and development of SMEs in Nigeria. Using Partial least square program as data processing tool, Riwayati (2017) analyzed the success of SMEs that are mediated by FI of business players and the role of FI in increasing the success of SMEs in Indonesia. Questionnaires were distributed to 76 stone craftsmen. The study showed that human resources, finance, production, government policy, economic and the role of related institutions have significant positive effect on the success of SMEs of stone craftsmen in Magelang Regency, Indonesia.

Babajide, Adegboye and Omankhanlen (2015) studied the impact of FI on economic growth in Nigeria. In this study, they utilized secondary data which were sourced from world development indicators and used ordinary least square regression model for data analysis. The study showed that FI is a significant determinant of the total factors of production as well as capital per worker which invariably determines the final level of output in the economy. They also pointed out that FI generated savings which increased productive investments in local businesses. Ibor, Offiong and Mendie (2017) studied the impact of FI on the micro, small and medium enterprises (MSMEs) performance in Nigeria. They used questionnaire to collect data from the respondents which were analyzed using Pearson Chi-square technique. The result showed that whereas FI positively and significantly impacts on the operations and growth of MSMEs, lack of nearness to the financial services access points and infrastructural deficiency challenged fast and effective access to financial services by MSMEs in Nigeria.

Jiang, Tong, Hu, and Wang (2019) carried out empirical analysis of the impact of China’s inclusive financial inclusion development index on farmers’ entrepreneurship using static panel and dynamic panel estimation method. The result showed that there are certain differences in inclusive financial inclusion development level in various provinces in China. They pointed out that farmers’ entrepreneurship can be promoted by improving the inclusion development level of inclusive finance. Nkwede (2015) investigated the influence of FI on the growth of African economies using Nigeria as a case study. Extrapolated time
series FI data from Nigeria covering the period of 1981 to 2013 were used for the analysis. The multiple regression models anchored on Ordinary Least Square technique was adopted in estimating the contributions of the variables. The results showed that FI has significant negative impact on the growth of Nigerian economy over the years. The researcher attributed the result to high level of financial exclusion of bankable adult citizens in Nigeria in particular and Africa in general. It was suggested that more inclusive financial system in Nigeria (and Africa) with focus on the rural populace should be embarked on, especially in the developing economy.

3. Research methodology
This study analyzed the effect of FI on entrepreneurial growth in Nigeria using quarterly dataset for the period 2010: Q1 - 2016: Q4 which were obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin, 2018. The data for the response variables are represented by growth rates of the retail and the wholesale sub-sectors contributions to GDP. The independent variables/proxies for FI comprise account ownership in a financial institution (ACN) or with a mobile-money-service provider (% of population ages 15 and above) and commercial bank branches (CMB) per 100,000 adults which were collated from the World Bank’s World Development Indicators (WDI).

Data obtained is estimated using the error correction model (ECM) technique. The choice of the model is based on the fact that the variables under study attained stationarity at order one (i.e. I (1)). This entails that the series are integrated at the same order and are potentially cointegrated. The use of ECM will not only enable the ascertainment of the degree and magnitude of influence of FI on the response variables of interest but will also guide in determining the speed of adjustment towards a long-run equilibrium relationship.

3.1 Model specification
Two models where proposed for this study which analyzed the effect of FI on EG. FI is measured by the ACN and CMB while EG is measured by the growth rate of the retail sub-sector (RTGR) and the growth rate of the wholesale sub-sector (WSGR) contributions to GDP. The baseline models for the study are expressed in the following form:

\[
RTGR_t = \beta_0 + \beta_1 ACN_t + \beta_2 CMB_t + \varepsilon_t \tag{1}
\]

\[
WSGR_t = \beta_0 + \beta_1 ACN_t + \beta_2 CMB_t + \varepsilon_t \tag{2}
\]

Where:
RTGR = Growth rate of Retail Sub-sector
WSGR = Growth rate of Wholesale Sub-sector
ACN = Account ownership in a financial institution (% of population ages 15+)
CMB = Commercial bank branches (per 100,000 adults)
\(\varepsilon\) = Error term
\(\beta_0\) = intercept
\(\beta_1, \beta_2\) = coefficient of the independent variables

4. Findings/results
4.1 Descriptive statistics

<table>
<thead>
<tr>
<th></th>
<th>CAN</th>
<th>CMB</th>
<th>RTGR</th>
<th>WSGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>37.49966</td>
<td>5.714446</td>
<td>1.311323</td>
<td>1.294451</td>
</tr>
<tr>
<td>Median</td>
<td>41.13749</td>
<td>5.813443</td>
<td>1.782977</td>
<td>1.893565</td>
</tr>
<tr>
<td>Maximum</td>
<td>44.71671</td>
<td>6.560718</td>
<td>7.385445</td>
<td>7.019415</td>
</tr>
<tr>
<td>Minimum</td>
<td>23.96382</td>
<td>4.739802</td>
<td>-6.173591</td>
<td>-5.929956</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>7.394916</td>
<td>0.637465</td>
<td>3.892044</td>
<td>3.683827</td>
</tr>
<tr>
<td>Observations</td>
<td>28</td>
<td>28</td>
<td>27</td>
<td>27</td>
</tr>
</tbody>
</table>

Table 2. Descriptive Summary

Summary statistics in table 2 reveals that on average about 37.50% of the Nigerian population ages 15 and above owned account in a financial institution or with a mobile-money-service provider. Also,
There was approximately an average of 6 bank branches per 100,000 adults. Whereas the maximum bank branches per 100,000 adults was approximately 7, the maximum percentage of population (15+) who operated an account in a financial institution was 44.75% within the coverage period. We further observed that quarterly contributions of the retail and the wholesale sub-sectors to GDP grew at an average rate of 1.31% and 1.29% respectively.

Figure 1. Graphical Description of Variable proxies

4.2 Stationarity test

Table 3. Unit Root Test Results (Augmented Dickey-Fuller Test Equation with trends and Intercept)

<table>
<thead>
<tr>
<th>Variable</th>
<th>ADF Statistic</th>
<th>5% critical value</th>
<th>P-value</th>
<th>Order of Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTGR</td>
<td>-3.164417</td>
<td>-3.673516</td>
<td>0.0030</td>
<td>I(1)</td>
</tr>
<tr>
<td>WSGR</td>
<td>-3.159453</td>
<td>-3.673516</td>
<td>0.0030</td>
<td>I(1)</td>
</tr>
<tr>
<td>CAN</td>
<td>-3.968919</td>
<td>-3.660416</td>
<td>0.0279</td>
<td>I(1)</td>
</tr>
<tr>
<td>CMB</td>
<td>-3.665351</td>
<td>-3.595026</td>
<td>0.0005</td>
<td>I(1)</td>
</tr>
</tbody>
</table>

Results of the unit root test in table 3 reveals that the variables attained stationary at same order of integration. All the series are stationary after first difference (or order one). Based on the outcome, we employ the Error Correction Model technique to analyze our models.

4.3 Correlation analysis

Table 4. Correlation analysis results

<table>
<thead>
<tr>
<th></th>
<th>InACN</th>
<th>InCMB</th>
<th>RTGR</th>
<th>WSGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>INACN</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INCMB</td>
<td>-0.797859</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RTGR</td>
<td>-0.111723</td>
<td>0.172581</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>WSGR</td>
<td>-0.112429</td>
<td>0.178566</td>
<td>0.999598</td>
<td>1</td>
</tr>
</tbody>
</table>

The correlation analysis explains the nature of association among our respective variables of interest. The result reveals that commercial bank branches (CMB) were negatively associated with account ownership (ACN). The result further indicates that growth rate of the retail sub-sector (RTGR) and growth rate of the wholesale sub-sector (WSGR) were negatively related to account ownership (ACN) in a financial institution, but both were found to be positively associated with commercial bank branches (CMB).
4.4 Regression estimates based on the error correction model (ECM)

Regression result in table 5 shows that account ownership (ACN) had negative and non-significant influence on the growth rate of the retail sub-sector (RTGR) while commercial bank branches (CMB) exerted positive and significant effect on the growth rate of the retail sub-sector (RTGR). We observed that when ACN increased by one-unit, RTGR decreased by 44.96 units whereas one-unit change in CMB was associated with 166.75 units increase in RTGR. The result further reveals that our regressors jointly have significant influence on RTGR as indicated by the p-value of F-statistic 0.0000<0.05. Moreover, the coefficient of determination (R-Squared) reveals that the independent variables accounted for about 79% of the variations in RTGR while the remaining 21% can be attributed to other variables not included in our model. The error correction term (speed of adjustment) is rightly signed and significant. This entails that deviations from long-run equilibrium path was being corrected at the speed of 92.14% on annual basis.

Table 6 presents the regression estimate of FI and the wholesale sub-sector growth rate. Similar to table 5, the result reveals that account ownership (ACN) had negative and non-significant effect on the growth rate of the wholesale sub-sector (WSGR) while commercial bank branches (CMB) was found to have positive and significant influence on the growth rate of the wholesale sub-sector (WSGR). It can be observed that one-unit increase in ACN led to about 41.50 units decline in WSGR. On the other hand, one-unit increase in CMB brought about 159.92 units increases in WSGR. The coefficient of determination shows that the independent variables explained about 78.95% of the variations in WSGR. The error correction dynamics reveals that errors or deviations from long-run equilibrium relationship were corrected at the speed of 92.49% annually. The overall regression was found to be significant as indicated by the p-value of F-statistic 0.0000<0.05.

The regression results did not contradict the correlation results in table 4 where we observed that both the growth rate of the retail (RTGR) and the wholesale sub-sectors (WSGR) had strong positive association with commercial bank branches (CMB).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>1.257986</td>
<td>0.716778</td>
<td>1.796887</td>
<td>0.0861</td>
</tr>
<tr>
<td>D(ACN)</td>
<td>-44.953782</td>
<td>25.72684</td>
<td>-1.747507</td>
<td>0.0945</td>
</tr>
<tr>
<td>D(CMB)</td>
<td>166.7508</td>
<td>53.15751</td>
<td>3.136919</td>
<td>0.0048</td>
</tr>
<tr>
<td>ECT(-1)</td>
<td>-0.921409</td>
<td>0.204309</td>
<td>-4.509873</td>
<td>0.0002</td>
</tr>
</tbody>
</table>

Table 5. Regression Estimate (ECM Results): Financial inclusion and retail sub-sector growth (equation 1)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>1.212940</td>
<td>0.674558</td>
<td>1.798126</td>
<td>0.0859</td>
</tr>
<tr>
<td>D(ACN)</td>
<td>-41.49075</td>
<td>24.21820</td>
<td>-1.713206</td>
<td>0.0107</td>
</tr>
<tr>
<td>D(CMB)</td>
<td>159.9203</td>
<td>49.87980</td>
<td>3.206113</td>
<td>0.0041</td>
</tr>
<tr>
<td>ECT(-1)</td>
<td>-0.924920</td>
<td>0.200802</td>
<td>-4.606124</td>
<td>0.0001</td>
</tr>
</tbody>
</table>

Table 6. Regression estimate (ECM Results): Financial inclusion and wholesale sub-sector growth (equation 2)

4.5 Diagnostic Tests

The validity of models used in this study is confirmed in figures 2 and 3 where the recursive estimate based on the cumulative sum (CUSUM) test shows that the respective models are well-specified and therefore, do not have any specification errors. The result shows that the blue line lies perfectly between the upper and lower bound red lines. It also confirmed that variables included in the models are normally distributed as shown in the Histogram normality tests in figures 4 and 5 below with p-values
5. Discussions and conclusions

The correlation analysis explains the nature of association among our respective variables of interest. The result reveals that CMB were negatively associated with ACN. This may entail that bank branches per 100,000 adult population may not have translated into dragging unbanked population ages 15 and above into the financial system. The result further indicates that the RTGR and the WSGR were negatively related to ACN, but both were found to be positively related to CMB. The established outcome between ACN and RTGR as well as ACN and WSGR suggests that ACN have not translated into EG in Nigeria particularly in the context of the retail and the wholesale sub-sectors contributions to GDP. On the other hand, the established outcome between CMB and RTGR as well as CMB and WSGR suggests that CMB have translated into EG in Nigeria, particularly in the context of the retail and the wholesale sub-sectors contributions to GDP.

Similarly, from the dynamic regression estimate carried out, the study reveals that ACN did not have significant influence on RTGR while CMB were found to have significant influence on the RTGR. This result did not differ relatively in the case of the wholesale sub-sector where the study shows that while ACN appear to have insignificant effect on the WSGR, CMB had significant positive effect on the WSGR. These regression results did not contradict the correlation results where we observed that both RTGR and the WSGR had strong positive association with CMB per cluster. This entails that CMB is a critical FI channel with potentials of driving the EG particularly in the context of the retail and the wholesale sub-sectors contributions to GDP. This finding is consistent with an earlier study carried out by Salman, Ayo-Oyebiyi and Emenike (2015) which found that mobile banking, banking services and banking penetration has significant positive effect on the growth and development of SMEs in Nigeria.

Also, this finding clarifies and supports the perspective of Ibor, Offiong and Mendie (2017) that whereas FI positively and significantly impacts the operations and growth of SMEs, lack of nearness to the financial services access points can adversely affect the fast and effective access to financial services by SMEs in Nigeria. In other words, nearness of CMB has significant positive effect on entrepreneurial growth in Nigeria. There is, however, no evidence that ACN is relatively effective in generating much impact on the EG particularly in the context of the retail and the wholesale sub-sectors contributions to GDP within the coverage period. This research outcome brought to light the consequence of the research finding of Demirguc-Kunt and Klapper (2012) which revealed that less than a quarter of adults in Africa have an account with a formal financial institution. Also, that many adults in Africa use informal methods to save and borrow which has the implication of hindering capital accumulation, finance, entrepreneurial
and economic growth. Therefore, FI has a positive effect on entrepreneurial growth particularly in the context of the retail and the wholesale sub-sectors contributions to GDP. Though ACN is an aspect of FI, it has relatively less effect on EG compared with CMB which has significant positive effect on EG particularly in the context of the retail and the wholesale sub-sectors contributions to GDP within the coverage period. In other words, CMB is a crucial FI channel for effective EG in Nigeria.

6. Limitations and direction for future research

This paper focused on the effect of FI on EG in retail and wholesale sub-sectors in Nigeria using ACN and CMB as financial inclusion dimensions. For future studies, we suggest that the effect of FI on other economic sectors such as manufacturing, agriculture, forestry and services be studied in order to access the effect of inclusive finance on the growth rate of the sector’s contributions to GDP for effective economic decision making.

7. Recommendations

Based on the findings of the study, we recommend that government should establish more commercial bank branches in all rural areas in Nigeria for easy access to official financial services by the unbanked entrepreneurs. Also, FI stakeholders should deepen efforts in encouraging account ownership in an official financial institution through improving on financial literacy of the vast unbanked populace so that formal financial system through capital accumulation can serve the needs of entrepreneurs for effective growth and contributions to GDP.

8. Practical implications

Commercial bank branches are critical FI channel with potentials of driving entrepreneurial growth particularly in the context of the retail and the wholesale sub-sectors contributions to GDP. Its establishment in all the rural areas in Nigeria will positively influence account ownership in a formal financial institution thereby achieving capital accumulation through which entrepreneurial growth and increased contributions to GDP will be met.

References


World Bank’s World Development Indicators.
Financial digitalization and its implication on jobs market structure

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Keywords
Finance digitalization, workforce qualifications, digital education, new job market structure.

Abstract
Finance digitalization and digital transformation have become the most commonly used words in the last decade, but especially in recent years. The present paper emphasizes that, in order to remain competitive and achieve market longevity, organizational structures and financial services must keep up with the digital transformation. Improving the performance but also the survival of institutions is related to the adoption of innovation and the adoption of digital changes. This article aims to show how digital transformation and the adoption of new technologies have changed the approach of the workplace, the way of doing business and redefined the parameters of the financial products and services offered. The research finds out that the main impediments encountered in digitizing the activity of institutions is the efficient storage and utilization of the database, as well as the qualification and speed of adapting the workforce to the new requirements regarding the provision of innovative administrative and financial products and services through digital technology. In the same line, using macroeconomic indicators from different regions of Europe, related to the movements and new developments of the labor market, economic and social progress trend, the present work paper comes to sound an alarm signal for a new economic and technological education policy approach. The paper underlines the movements of the labor market and the possible solutions to redirect the specialization curriculums in order to equip people with those qualifications and skills which will make them employable on the current digitalized business environment.

Introduction
Digital solutions and new technologies offer great potential to overcome massive development challenges and can contribute to achieving the goal of universal access to all business services (Moshirian, 2011). Digitization and digital business promise a universe of applications and digitalized assets that are expected to work together to allow rapid development of new capabilities that will give competitive advantage (Moșteanu, 2019a). To remain competitive and achieve longevity in the market, financial services has to keep up with digital transformation. The survival of financial institutions is connected with the adoption of innovation, and embracing digital changes, to improve the efficiency and performance within the organization (Scardovi, 2017). Digital transformation and new technology adoption have changed the way of doing business and channels that offer banking and financial products and services are more intuitive and trustworthy (Mohamed and Ali, 2019). The present work paper purpose is to find out the main impediments encountered in digitizing the activity of institutions, which are the qualification or educational challenges to prepare the workforce for the new job market structure aligned with the new requirements coming from introduction and implementation of digital technology. The reconstruction of organizations design using actual financial technologies imply new educational specializations and developing new skills and competences to fulfill de challenges of different and new job requirements.

Literature review
Educational institutions and governing practices are increasingly augmented with digital database technologies that function as new kinds of policy instruments. Digital database technologies facilitate the generation, calculation, and circulation of the data required to (Williamson, 2016; Moșteanu et.al., 2020a, b) develop new educational curriculum to prepare people for successful employment in a Finance Digital era. Digital systems are becoming more and more used, representing a much faster, cheaper, and safer way when it comes to financial transactions. Access to modern telecommunications systems is a priority in all countries around the world, as in their evolution, financial and banking systems implement, use, and
encourage online services for domestic and international financial transfers (Moşteanu and Faccia, 2020). Digitization and digital transformation have become the most commonly used words in the last decade, but especially in recent years. There is an excess of definitions of this term, used to describe the offline-to-online migration of commercial operations and businesses, including those found in many published research works (Moşteanu, 2020a). Contemporaneous economists defined digitalization as the realignment of, or new investment in, advanced technology and business models to more effectively engage digital customers at every touchpoint in the customer experience lifecycle (Solis, et.al., 2014).

The new demands of the labor market require more and more new skills. In this regard, new training companies are developing interactive educational programs for digital instruction for all those who are interested in learning online or at a distance, or developing educationally regarding new digital technologies, so that they can make decisions related to improving work performance. Digital education introduces a healthy corrective to exaggerated techno-optimism or techno-pessimism (Thomas, 2011). Now everything becomes digital: tools, literacy, solutions, data systems, education, generation, and types of markets. Institutional reforms in labor relations are carried out in the digital economy both in the content and in the form. New technologies restructure subject-object economic relations and change qualitatively a business model based on special algorithms application (Vovchenko, et.al., 2017). In this respect organizations and educational system is better to redesign their structure, work processes, and services provided in order to face the challenges of customers – workforce. So rapid are the developments, in fact, that while the digitalization of everything has become a hallmark of tech’s promise of individual and business empowerment, it has also begun to prompt anxiety, including among workers who worry about their future in a world of brilliant machines (Muro, et.al., 2017; Moşteanu, 2020b; Moşteanu and Galea 2020; Moşteanu, 2020c).

Currently, the European Commission is promoting various initiatives aimed at increasing training in digital skills for the workforce and for consumers; modernizing education across the European Union; harnessing digital technologies for learning and for the recognition and validation of skills; and anticipating and analyzing skills needs (European Commission, 2020). In the digital age, organizations need to reinvent themselves at a structural level and to become agiler (Moşteanu, 2019c). Digital maturity of human resources management implies a shift from traditional paradigm on the workplace towards engagement, learning, and development of employees and search for talent (Mihalcea, 2017; Moşteanu, 2019b; Moşteanu, 2011a).

Research methodology

The present work paper is exploratory research, based on investigative techniques. It is fundamental and qualitative research, which aims to identify the main impediments encountered in digitizing the activity of institutions, as well as the necessity of adapting the qualification and speed of adapting the workforce to the new requirements regarding the provision of innovative administrative and financial products and services through digital technology. The paper presents the new approach of finance and the necessity to review and adapt the management and supervision of any organization to compete with new digital technologies. The research paper uses macroeconomic indicators from different regions of Europe, related to the movements and new developments of the labor market, economic and social progress trend.

Analyze and findings

The digital revolution, or third industrial revolution, occurred in the second half of the 20th century (Scholz, 2013). The consequence of this was the automation of work technologies devices, with the insertion of computers, the massive use of the Internet, the development of microprocessors and high-tech communications impacting on society in a universal way, modifying the ways of life of ordinary citizens (Scribano and Lisdero, 2019; Beck, et.al., 1994). Digital transformation has come into wide use in contemporary business media to signify the transformational or disruptive implications of digital technologies for businesses (Nambisan, et.al., 2019) (new business models, new types of products and services, new types of customer experiences) (Boulton, 2018; Boutetiere and Reich, 2018) and more broadly, to indicate how existing companies may need to radically transform themselves to succeed in the emerging digital world (McAfee and Brynjolfsson, 2017; Brynjolfsson, 2011; Rogers, 2016; Venkatraman,
Digital transformation affects all businesses; however, SMEs are giving more attention in offering new digital solutions (Ayandibu and Houghton, 2017).

To tackle the digital skills gap, significant investments are needed. In the current European Union’s budget, the Commission proposes coherent and comprehensive support for building up the digital skills needed to support reskilling and upskilling in Europe for a successful digital transformation. Different funds will target different skills needs. The Digital Europe Program with a budget of €700 million will expand the digital talent pool with around 256,000 people who will be able to deploy the latest technology in business throughout Europe. It will focus on three types of actions (European Commission, 2020):

- Master’s Programs in cutting-edge digital technologies developed together with European Union excellence centers in artificial intelligence, cyber and high-performance computing. The aim is to offer 160 new master programs training 80,000 digital specialists (Information and Communication Technologies skills).
- Short-term specialized training courses in advanced digital technologies for around 150,000 job seekers and employed people, especially in SMEs. The aim is to equip them with the competences that will enable the deployment of digital technologies across all sectors of the economy.
- 35,000 job placements in companies or research centers where advanced digital technologies are developed or used. The aim is to give people the opportunity to learn specialists’ skills working with the latest available technologies.

In order to develop The Digital Europe Program, European Commission conducted a research for the deployment of innovative digital technologies in five key areas: Supercomputing; Artificial Intelligence; Cybersecurity; advanced digital skills; and ensuring a wide use of these digital technologies across the economy and society in line with Europe’s ambitious sustainability goals and values. To see the real financial implications and the number of new job structures, the survey was focused on (European Commission, 2020):

- Better understanding of the potential level of demand for the different activities that are proposed under Digital Europe.
- Understanding stakeholders’ opinions and interests with regards to the priorities set out for the strategic objectives of the digitalization.
- Obtaining the information needed in view of implementation choices and of a timely preparation of the work programs to face the challenges of the digital era.
There were 960 respondents from all 28 European Union countries. 326 replies from European Union citizens, 171 from companies and business organizations, 41 from business associations, 124 from public sector entities, and 163 from academic and research institutions as well as several other groups.

The largest number of responses came from Germany (13%), Italy (11%), Spain (8%), Belgium (7%), the Netherlands (7%), Romania (6%) and France (6%) totaling 56% of responses.

The results indicate strong support for the priorities set out in the Digital Europe Program with more than 80% of the respondents agreeing with the priorities across the main objectives.

On the question Do you agree that the European Union should support member states in improving for deployment of innovative digital technologies? For Supercomputing: 59% completely agree and 24% partially agree; for Artificial Intelligence – 64% completely agree and 24% partially agree; for Cybersecurity – 64% completely agree and 22% partially agree; for Advanced digital skills – 74% completely agree and 16% partially agree; and for ensuring a wide use of these digital technologies across the economy and society: – 62% completely agree and 24% partially agree. These responses transmit a real concern of citizens for their job stability, business for their continuity, academics, and researchers for a new practical approach of the digital changes.

Respondents were also asked to indicate how important they viewed European Union support for a range of areas where new digital technologies could be deployed with a high impact. The results reveal a solid encouragement for developing the digital technologies and their use in creating a clean planet (70.5% - very important), the digital transformation of learning and education (62.5% - very important) and a more trustful and safer internet (54.9% - very important). On the other hand, the responses indicate less support for the uptake of blockchain (32.1% - very important).
Conclusions

A strong digital economy is vital for innovation, economic growth, job development, and country competitiveness (Moșteanu, 2011b, c). The spread of digital is having a massive impact on the labor market and the type of skills needed in the economy and society (European Commission, 2020).

It is changing the structure of employment, leading to the automation of routine tasks and to the creation of new and different types of jobs.

It is leading to the need for more skilled ICT professionals in all sectors of the economy. There are already hundreds of thousands of unfilled vacancies for ICT professionals in Europe.

It is leading to the need for digital skills for nearly all jobs where ICT complements existing tasks. Careers such as engineering, accountancy, nursing, medicine, art, architecture, and many more - require increasing levels of digital skills.

It changes the way we learn by fostering online communities, by enabling personalized learning experiences, by supporting the development of soft skills such as problem-solving, collaboration and creativity, and making learning fun.

It is leading to the need for every citizen to have at least basic digital skills in order to live, work, learn and participate in the modern society.

In 2020 the European labor market is projected to grow by more than 670,000 new jobs, but it could absorb another 756,000 ICT practitioners if only enough supply were in sight (Hüsing, et.al., 2015). During the last 5 years, in Europe, organizations (except financial sectors) employed more than 20 ICT specialists (Eurostat, 2020). Meanwhile, because many companies started to implement and use digital systems, many job places were reduced. Some certain activities are now done through innovative technologies, which imply requalification and gaining new skills and competences. If 10 years ago digitalization was not a concern, currently a demand development for new skills and qualifications is an actual market outcome.

The paper finds out that the main challenges encountered in digitizing the activity of institutions came out from the reconstruction of organizations design which started to use actual financial technologies, and this entails new educational specializations and developing new skills and competences to fulfill de challenges of different and new job requirements. The digital technologies facilitate the generation, calculation and circulation of the data required to (Williamson, 2016) develop new business processes to prepare organizations for successful integration in a digitalized era, but more than this, can be a very useful tool to help managing the risk of disaster, during all its steps, such as: identifying and measuring, preventing and preparing for recovering (Moșteanu, 2020d; 2011d). In order to keep up with the developments of new technologies, especially digitalization, in all economic sectors, a collaboration between the academic environment, the private sector, and public institutions with responsibilities in employment policy seems more than ever needed (Moșteanu, 2020e). Universities are encouraged to collaborate with the business sectors, to define together the new competencies and knowledge necessary to develop appropriate specializations, which will equip graduate students with the qualifications necessary for the demands of the new labor market. Digitalization and its new skills and competences come to improve the labor policy too, to avoid an increase in the unemployment rate. In 2010, the International Labor Organization has carried out a review of the International Standard Classification of Occupations (ISCO-88) in order to provide a more efficient classification that can be used by all countries at the next round of population censuses, such as and within national employment services and other customer-oriented applications (Ministry of Labor and Social Protection, 2010). This Standard Classification of Occupations is better to be amended according to the new job market demands because of the implementation of digital systems in almost all economic sectors, public or private.

Limitations and direction for future research

The present research paper presents some limitations in terms of data related to the updated descriptions of job requirements for new functions, represented a challenge in designing the integration of support functions linked to digital systems. The author intends to develop a further research, based on more detailed information and data correlated to the skills, competences, and activities required for developing and implementing digital systems in any organizational structures, as well as the reallocation and requalification of employees. An important data related to the number of employees which will be
relocated as a result of new technologies implementation, may lead to significant changes into labor policy of each country, as well.

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The influence of responsible leadership on talent retention

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Keywords
Responsible Leadership, Talent Retention, Organisational Performance, Leadership.

Abstract
Recently, the relationship between responsible leadership and talent retention has been discussed in the literature. Retention of talent is perceived as a crucial component in an organisation’s business strategy where employees become the key set of stakeholders. However, the particular practices that result in retaining the most effective employees, specifically young professionals, and new managers, remain difficult to pinpoint. The aim of this research is to study the relationship between responsible leadership and talent retention. Existing literature on the topic has been reviewed to address the objective of this research. The findings indicate that there is a close association between responsible leadership and talent retention. Responsible leadership encourages leaders to lead their followers in a way that enhances their connection with society, the environment, stakeholders and with the organisation generally. The findings of the study further reveal that responsible leadership does not just influence talent retention, it enables autonomous motivation amongst employees and improves the performance of the organisation as a whole.

1.0 Introduction
The idea of responsible leadership (RL) has gained interest across the diverse domains that comprise the field of organisational studies. Several corporate scandals that occurred in the past have highlighted the need to examine the ethics of organisations and the role of RL (Fernando, 2015). Major collapses in the corporate sector, the recall of products, and excesses indulged in by corporations have also given rise to the level of responsibility that we should expect from managerial leadership. Waldman and Galvin (2008) have suggested that the idea of responsibility has been lacking from descriptors of established leadership that typically include: charismatic, transformational, authentic, servant, participative spiritual, shared and ethical. Leaders are also under continual pressure to lead their followers in such a manner that they are responsible not just to the business organisation, but to the stakeholders as a whole. Maak and Pless (2006) defined RL as the procedure which results in the development and sustenance of affirmative associations with external as well as internal stakeholders of the organisation. Thus, RL is becoming a vital discourse within management and there has been an increase in appeals for leaders to act in a responsible manner within a business environment that has suffered a loss in terms of trust and legitimacy (Antunes & Franco, 2016). The initial stages related to the development of RL concentrates on exploring and conceptualising the values of individuals and their individual encouragements.

Organisations as well as leaders within organisations are increasingly including a wider base of stakeholders within the decision-making and planning process. While it is evident that the literature pertaining to leadership is extensive, scholars have only recently attempted to integrate leadership, corporate responsibility, and ethics. As presented by Kapur (2018a), scholarship pertaining to ethics, leadership and corporate social responsibility has witnessed for the most part an independent evolution. Irrespective of the expanding literature related to effective leadership, there is a dearth of research focusing on the association between RL and turnover intentions. According to one definition of a leader, a leader is an individual who holds a key position within a group, makes an impact on others in tandem with the expectations of the work role related to that position, and directs and co-ordinates the group in sustaining itself while achieving its objective (Simiyu, 2015). More recently, a leader who is responsible has been defined as an individual who develops an inclusive culture that is developed on solid moral ground. In tandem with what several authors have to say about leaders, leadership can be perceived as a procedure of inclusion to realise group, societal and organisational objectives. This comprises the social-
relational procedures of the individual managers and assorted activities that are determined within the upper levels of the organisation which is actively comprised of several stakeholders in order to function in a consistent manner as an organisation that is socially responsible and ethical (Kapur, 2018b).

Crisis pertaining to governance and ethics witnessed during the first decade of the 21st century, and the relevant economic slowdowns during 2000-2002 and 2008-2010, have presented several challenges with regard to assumptions about the role of corporations within society and the very basis of the capitalist system (Aurifeille et al., 2011). Leaders within businesses have understandably emerged as targets facing extensive criticism and indeed were blamed for several economic and ethical failures during the period 2000-2009. Nonetheless, over the course of this period, certain organisations, along with their leaders, have attempted to adopt new management styles which are more inclusive and deemed to be pertinent and respectful to the requirements and well-being of a more extensive group of stakeholders. In this context, some scholars have scrutinised certain traits possessed by leaders and organisations under the aegis of RL (Cismas et al., 2016). Some researchers have claimed that it is imperative for leadership to integrate corporate responsibility, conscientious and conscious stakeholder relations and ethics (Owie, 2017). Employees are a vital group of stakeholders that have shouleldered the costs associated with poor economic choices and questionable ethical decisions. Out of the primary groups of stakeholders – employees, communities, shareholders, and suppliers – employees are the most crucial to business operation. The effectiveness of the management in protecting the well-being of employees, as well as the retention of the workforce within the organisation, is highly dependent on a responsible leader’s behaviour (Flocy, 2017).

1.1 Background

Currently, scholars of RL are known to deploy less normative as well as subjective assumptions while concentrating on orientations of leadership and abilities instead of virtues (Miska & Mendenhall, 2018). There have been some studies that have scrutinised the impact of RL on employees as well as organisational outcomes. For example, organisational commitment has been identified as a vital employee outcome which results in effective performance by the employees. The importance of organisational commitment has been extensively acknowledged within studies pertaining to leadership (Voegtlin et al., 2012), which demonstrates the impact of effective leadership on employee commitment. There exists an extensive body of literature that concentrates on the interlink between the workgroup and leaders, specifically pertaining to how diverse styles of leadership are associated with the degree of organisational commitment (Meyer et al., 2002). It has been argued that the behaviours displayed by managerial leadership are instrumental in defining the manner in which leaders set direction, motivate and align people while inspiring members within the organisation (Kotter, 1990). Simply put, the right type of leadership tends to nurture an environment that offers high commitment. Therefore, studies pertaining to diverse styles of leadership along with employees’ organisational commitments suggest that responses in leadership are necessary to drive commitment from followers (Kim & Brymer, 2011). The present challenge within the domain of leadership revolves around the ability to develop conditions within organisations that enhance organisational commitment towards the organisation. Several researchers have suggested that RL produces an affirmative influence on the organisational commitment of employees (Doh & Quigley, 2014). It has also been suggested, that owing to a wide range of stakeholders within and beyond the organisation, RL could possibly have a positive impact on the level of organisational commitment towards the employees.

Considering that the concept of RL is interdisciplinary in nature, RL has drawn considerable attention from researchers from different domains including: human resource management, organisational behaviour, philosophy, strategy, political science, sustainability, psychology, corporate governance, law, sociology, marketing and business ethics (Siegel, 2014). Although the notion of RL is comparatively new within the extant literature, it reveals a substantial theoretical significance for organisational leadership. In particular, a large number of researchers have accepted and agreed that RL tends to innately intersect the group, individual and organisational levels of outcome in terms of leadership. The notion of RL can also incorporate two particular domains of study: leadership and social responsibility. Extensive literature exists with regards to social responsibility and its link with the financial outcomes of organisations. However, additional exploration is needed within employees as well
as organisational outcomes (Rodriguez-Fernandez, 2016). In addition, RL enables an organisation to achieve group, societal and organisational goals to continuously operate in a socially responsible and ethical manner inside its business community (Doh et al., 2011). Therefore, it is evident that RL can be incorporated within both macro as well as micro-based literature on social responsibility. RL perceives leadership as a process or technique that promotes inclusion in order to integrate group, societal and organisational goals.

Furthermore, Waldman and Galvin (2008) showed that the idea of responsibility does not exist anymore in present leadership practices comprised of different leadership styles. RL encourages leaders to lead their followers in a manner that is responsible to society, the environment, and stakeholders as well as the organisation (Maritz et al., 2011). It also suggests that leaders lead in an environment of business where their legitimacy might be decreasing owing to the increasing prevalence of unethical acts within business, whereby all leaders can be ‘tarred with the same brush’ (Pless & Maak, 2011). First, RL broadens the scope of the association between the leader and their followers for its global and social business objectives. Second, RL identifies moral and ethical dimensions that should be considered as normative in the relationship between the leader and their stakeholders (Maak & Pless, 2006). It hints that the leader needs to be responsible which will allow them to be effective leaders. Third, RL provides an approach which is more balanced by encouraging leaders to be facilitators, resulting in more relational processes that, in turn, lead to stronger relationships between stakeholders and leaders. Therefore, the theoretical development, in terms of RL envisions an inclusive culture amongst societies and organisations by developing a robust moral ground for responsible businesses practices. However, the question here is whether the association between leadership and organisational commitment continues to function when employees conceal their intentions pertaining to turnover.

Retention of talent is considered as a sine qua non for realising a competitive edge within business. This is because turnover that occurs unexpectedly within an organisation negatively impacts on the survival and the profitability of the organisation (Mir & Mufeed, 2016). Without having a RL, one thoroughly committed to a business strategy that tackles talent development and retention, the long-term viability of an organisation is challenged. Retention of talent is perceived as a vital component of an organisation’s business strategy where employees become the key set of stakeholders. However, the particular practices that result in retaining the most effective employees, specifically young professionals and new managers, continues to evade several organisations (Guthridge et al., 2008). This challenge can be acutely experienced in markets that are dynamic and emerging. Keeping these factors in mind, the objective of this paper is to examine the relationship between RL and employee retention. In case there is any relation, an attempt will also be made to identify how RL influences employee retention.

2.0 Research Aims & Objectives

The primary aim of this research is to understand whether RL is associated with talent retention. In order to facilitate this, the following research objectives and research questions have been framed.

2.1 Research Objectives

- To understand if there is an association between responsible leadership and talent retention.
- To explore the relationship between responsible leadership and employee autonomous motivation.
- To explore the relationship between talent retention and organisational performance.

2.2 Research Questions

What is the link between responsible leadership and talent retention?
What is the relationship between responsible leadership and employee autonomous motivation?
What is the link between talent retention and organisational performance?

3.0 Literature review

3.1 Reviewing the concept of responsible leadership

RL as a concept is essentially grounded in stakeholder theory (Antunes & Franco, 2016). It has been operationalised from the viewpoint of employees and their perceptions related to the actions taken by leaders in order to create value within organisations (Doh et al., 2011). To date, many scholars (Waldman
& Balven, 2014; Witt & Stahl, 2016) have attempted to explain why RL, as a normative leadership approach, is unique from various other value-centric leadership theories such as ethical leadership (Brown & Treviño, 2006a), servant leadership (Greenleaf et al., 2002), authentic leadership (Gardner et al., 2005), and transformational leadership (Bass & Avolio, 1994). As per Maak et al. (2016), the key variation between value-centric leadership and RL is the focus of the latter on creation of value which is sustainable through positive social changes. Therefore, RL can be considered from an ethical as well as relational dimension (Maak et al., 2016). Scholars have hinted that the study of RL requires a consideration of organisational viewpoints with regards to employee outcomes as well as antecedents (Stahl & Sully de Luque, 2014).

The idea of RL has been conceptualised as a concept which is currently emerging at the intersection of studies related to leadership, ethics and corporate social responsibility (Miska & Mendenhall, 2018). RL has been defined by Maak and Pless (2006) as an ethical and relational phenomenon that occurs in social procedures of interactions amongst those who impact or are impacted by leadership and have a stake in the vision and purpose of the relationship of leadership. RL is deemed to have a wider appeal compared to theories of ethical leadership. It is a process model of leadership indirectly related to the ethical traits of leaders. This kind of interpretation within a global context could present many restrictions. Such authors therefore conceptualise ethical traits as the antecedents of RL. From a wider perspective, RL embodies a notion that is known to exist at the intersection of two existing domains of study: leadership and social responsibility (Waldman & Balven, 2014).

If RL is investigated from the perspective of organisations, essentially it would also be inclusive of any consideration of the behaviour of individuals, their decisions and their interrelations with influences of leadership (Waldman & Balven, 2014). In the same vein, Voegtlín et al. (2012) observed that responsible leaders have an intrinsic role to play within organisations as role models and in including employees in decision-making. As an outcome, when employees are known to follow leaders who are responsible, there is the possibility that this will lead to increased motivation, job satisfaction, organisational citizenship or commitment. Many scholars have suggested that responsible leaders deem their followers as significant stakeholders to make use of their unique viewpoints in sustaining their creativity and motivation (Zhang & Bartol, 2010). These authors have also observed that responsible leaders, at the level of individual teams, encourage and consider the various perspectives of stakeholders. This might result in psychological safety at the team level, learning for performance of the team and to enhance the process of decision-making.

The idea of RL has been undergoing continuous evolution; however, it is supposed to be tackled in a rather complete manner and should be clarified in terms of research and theory (Maak & Pless, 2009). There have been many thought leaders, scholars, practitioners and academics who have attempted to define RL from their individual viewpoints within modern organisations (D’Amato et al., 2009). As a notion of leadership based on values, RL recognises the current gaps within the literature for leadership and also attempts to define what ‘responsible’ means from the setting of organisational leadership (Pless & Maak, 2011). It has been argued that leadership cannot exist in the absence of matching responsibility for a result like RL. Likewise, it Waldman and Galvin (2008) have also argued that the idea of responsibility has been lacking within other theories of leadership that are value-based.

There is strong evidence that decisions, perceptions and the actions on the part of individual managers, specifically those who occupy senior positions, make an impact on the long-term viability and social performance (Kakabadse et al., 2005). For organisations, a leader is an individual who holds a specific position within a group, makes an impact on others in tandem with the role expectations of the position, and directs as well as coordinates the group for its maintenance and achieving its objectives. Furthermore, a leader who is responsible has been identified as one who develops an inclusive culture based on moral grounds (Pless & Maak, 2004). Therefore, RL at the level of organisation is deemed as a procedure of inclusion to realise organisational, societal and group objectives. According to Phillips et al. (2003), the notion of RL is inclusive of the social-relational procedures of individual leaders and groups’ organisational actions that have been defined by the upper levels which is actively comprised of diverse stakeholders in creating organisations that are socially and ethically responsible. Thus, RL concentrates on the individual initiative towards the goal of a society to enable the organisation to emerge as a responsible.
and ethical system overall.

If the societal viewpoint of RL is taken into account, Doh and Quigley (2014) have suggested that leaders who are in a position to continuously adhere to a stakeholder approach would be better facilitated to manage beyond cultural boundaries. The stakeholder perspective of leaders might also identify and anticipate vital socio-economic problems in trends of business such that they would be able to respond in a suitable manner (Stahl & Sully de Luque, 2014). In addition, studies pertaining to corporate governance lay much stress on the fact that organisational leaders arrive at decisions of CSR strategies within the framework of mechanisms pertaining to organisational governance (Filatotchev, 2012). This could mould the base of accountability and responsibility in leadership not just for stakeholders but also to a broader body of stakeholders. Thus, from the organisational to the social level, Doh and Quigley (2014) have claimed that leaders who are responsible with a stakeholder approach would assist in developing an open, inclusive and diverse internal culture by disseminating and sharing information while nurturing robust associations with external stakeholder, all of which would result in performance, organisational growth and innovation (Thomas, 2004).

3.2 Critically Reviewing the Concept of Talent Retention

Retention is deemed an overall component of the tactics and strategies related to human resources. It commences with the selection of correct employees and continues with the execution of diverse programs to ensure that the employees remain motivated and are kept engaged within the organisation (Rasmussen & Hunt, 2007; Das & Baruah, 2013). At the same time, Das and Baruah (2013) have defined talent retention as a method which business organisations have adopted to sustain a workforce which is effective and matches their requirements from an operational point of view. Das and Baruah (2013) further explain talent retention as a procedure through which employees are kept motivated to serve an organisation for an extended period of time or till such time that their part or project reaches its culmination. According to Kossivi et al. (2016), talent retention is an approach which is systematic in nature and intended to create and nurture a work environment that stimulates employees within an organisation to stay employed, on the basis of practices and policies framed to tackle their diverse organisational requirements.

Cappelli (2008) notes that towards the end of 1990s, the problem of retaining talent emerged as a major challenge within business. This view was further extended by Allen et al. (2010) who argued that retention of employees is a vital concern for several organisations and managers within organisations. These authors claimed that retention related costs generally tend to extend beyond 100% of the annual salary for the position. In addition, talent (employee) retention has been outlined as an initiative by many organisations to sustain a work-based environment that supports present staff in continuing with the organisation. Several talent retention police are focused at tackling the diverse requirements of employees to improve job satisfaction and reduce significant costs related to recruiting and training new staff. Moreover, with regards to the issue of talent retention, Chambers et al. (1998) have stated that relatively little awareness exists regarding the problem of talent retention, and that high performing individuals have high scope to quit the organisation.

‘Talents on hold’ is another term often used to denote talent retention. Cappelli (2008) described it as a process where talented employees are successfully retained by keeping them on hold in positions, they are highly qualified for. This could be due to the organisation not possessing adequate specialist or top positions for existing employees. This could encourage talented employees to leave their current organisation to seek employment with a competing organisation. Furthermore, talent can be equated with inventory that has the freedom to leave the organisation, and this situation takes place when an organisation develops a large number of talented employees in excess of what is required by the organisation (Cappelli, 2008). In contrast, the inadequate education of talent implies that the organisation would have to outsource the required talent. One potential disadvantage of outsourcing talent is that this procedure is resource and time consuming as it involves the recruitment of talent with high calibre. Additionally, many such prospective employees may be unsure about their capabilities and whether they can blend into the culture of the new organisation.

Allen et al. (2010) also observed variations as well as misconceptions with regards to the reason why organisations are unable to retain talents. A common misconception is that talents often quit
organisation because it does not reward them appropriately. Nonetheless, researchers have deliberated that the most common reasons why talented employees quit an organisation is due to dissatisfaction with their peers and limited training and development options. Furthermore, Bartram (2012) highlighted the importance of encouraging future training and development well before the employee commences seeking better work opportunities. In addition, Bhattacharya et al. (2008) highlighted the significance of maintaining common values and goals amongst employees in the organisation in order to establish a stable association and encouragement to stay.

3.3 The Role of Responsible Leadership on Talent Retention

Maamari and Alameh (2016) stated that organisations that exist within several industries have identified skilled talent or human resources as crucial to achieve the objectives of the business. Congruently, Holtom et al. (2005) argued that organisations that concentrate on resources without paying attention to recruitment, training and retention are likely to struggle to survive in the highly competitive business market. Lost of employees in an unexpected manner and the subsequent effort to replace the lost talent is a major challenge to the resources of an organisation (Bandura & Lyons, 2014). A possible way to tackle negative outcomes in business is to investigate organisation based behaviours that might impact upon talent retention (Low et al., 2017). Studies that have been conducted in recent years suggest the importance of widening the criterion related to research on talent retention, to assess the impact over time (Woo et al., 2016). Furthermore, the extant literature with regards to talent retention clearly implies that the ability of an individual tends to play a major role in the expectation to continue in a job, as organisations choose an individual with the appropriate qualification to cater to the job requirements (Ibidunni et al., 2016). Research has highlighted the key role played by leaders in making a positive influence on the decision of an employee to remain in a job. In addition, recent research has emphasised how ‘person-fit’ has proved helpful to researchers in comprehending how ‘the most suitable person’ who is thoroughly engrossed in their work might have less scope to voluntarily leave their present job (Jin et al., 2018).

According to Caldwell and Dixon (2010), the role of a leader within a business organisation is to accord due dignity and respect to their employees. Responsibility as well as accountability in terms of talent retention largely rests on the shoulders of leaders. Further, skills in leadership are instrumental in developing the environment that facilitates retention, the work environment and a culture which is supportive would be beneficial for employees which, in turn, will help them gain motivation. This is apparently the most suitable manner of defence against unnecessary attrition (Chitra, 2013). In instances when leaders or top management evince concern and interest, employees who gain frequent and positive feedback and recognition from their organisations and leaders are more interested in continuing in a job. Thus, he relationship between a leader and their employees can impact on the intention of the employee to remain in their work and serve the organisation. Likewise, Netswera et al. (2005) noted that in situations where the leaders are interested, this will make a positive impact on the level of employee retention.

In addition, it has been observed by Gwavuya (2011) that better relations between a responsible leader and their employees offers confirmation to a business enterprise that the employees within that enterprise will continue to stay for an extended period of time. However, when the association between the leader and the employees is not very good or poor, this can result in employee dissatisfaction to develop, leading to low levels of employee commitment which, in turn, incentivises the employee to think about quitting (Gwavuya, 2011). Several other studies have revealed that an affirmative association between employees and their leaders is significant in terms of augmenting employees’ intention to continue working for the organisation (Cowin, 2002; Berson & Linton, 2005; Northhouse, 2018). In this regard, Berson and Linton (2005) suggested that better relations between leaders and their employees could result in low levels of employee intention to leave the organisation. Similarly, Northouse (2018) asserted that inappropriate or unimportant styles of leadership could have a direct negative impact on retention as well as the performance of employees in a modern organisation. While Kleinman (2004) has argued that leadership style is a key factor that enhances satisfaction in work and fosters talent retention, the empirical evidence is mixed. For example, Gharibvand et al. (2013) examined the relationship between leaders and employees. They found that the results were quite confusing as there was ambiguity wherein
some employees were satisfied and committed to the job and others were not happy with the leadership style.

On the basis of the literature review, the main aim of this research is to understand whether responsible leaders influence talent retention within organisations.

4.0 Methodology

The research methodological approach adopted for this research is founded on a critical review of the existing literature. The objective of a literature review is to acquire an in-depth understanding of the research and consider debates that are pertinent to phenomenon under investigation (Snyder, 2019).

Developing research and linking it with existing information and knowledge is considered the building block of good academic research. Production of knowledge in the domain of business related research is increasing at a quick pace, and at the same time it continues to be both inter-disciplinary as well as segregated (Tranfield et al., 2003). This makes it difficult to keep up with state-of-the-art research and remain at the forefront, and at the same time evaluate the collection of evidence in a specific domain of research. This is primarily the reason why the use of literature review as a method of research is considered appropriate here. A literature review as a technique of research represents a systematic manner of gathering and synthesising information from extant research (Baumeister & Leary, 1997).

In the context of this present research, the literature review approach was considered the most suitable in meeting the objectives of the current study as it facilitated gaining an in-depth insight into the manner in which researchers investigated the influence of responsible leaders on talent retention within organisations. Furthermore, it assisted in acquiring an enhanced understanding about the manner in which findings from research are presented and discussed.

5.0 Research Findings

The findings from this literature-based research have been divided into themes related to the understanding of RL and talent retention.

5.1 Responsible Leadership and Talent Retention

Research has indicated that employees tend to respond in a positive manner to the behaviour of leaders who are largely oriented towards employees. When leaders exhibit pro-employee behaviour, it tends to influence the turnover intention of employees (Jaramillo et al., 2009). Researchers have investigated the impact of diverse value-based leadership approaches such as ethical (Brown & Treviño, 2006b), transformational (Avolio et al., 2004), authentic (Hirst et al., 2016) and servant leadership on talent retention. The common link between the findings from these studies is the manner in which the leaders within organisations are known to engage and encourage employees to such a level that it is less likely for the employee to think about quitting the organisation.

Waldman and Galvin (2008) suggested that by applying a social identity theory, a responsible leader would be in the position to connect with his followers by exhibiting actions that are responsible with each and every stakeholder. By adopting a RL approach, followers would be in a position to acquire entry or membership within the ‘in’ group, thereby augmenting attachment and loyalty to a responsible leader as well as the organisation. An increment in engagement and sense of belonging as well as attachment to the ‘in’ group within the circle of leadership has the scope to lower the turnover intention of employees.

5.2 Responsible Leadership and Employee Autonomous Motivation

Gagné and Deci (2005) proposed that RL augments autonomous motivation amongst employees. The findings from their research revealed that with regards to autonomous motivation, employees are known to frequently be involved in activities that correspond with their inner self. Activities of such kind essentially comprise of those that are at par with their goals and values and are pleasant as well as interesting. From an organisational point of view, responsible leaders tend to pass on their values by offering exemplary role models, while displayed values are internalised by employees on the basis of perceptual learning and observation. Ruyi and Lirong (2017) found that such internalisations could augment the self-expression of employees. RL that is more focused towards the responsibility of individuals towards societal and environmental well-being and the environment might dovetail objectives
associated with sustainable management. For instance, it might elucidate environment-based objectives by stressing high-level values that (such as developing or working towards developing a better place for the coming generation, undertaking initiatives to enhance the health of people). Employees would be in a position to embrace as well as internalise such values that have been projected by responsible leaders; thus, their engagement in activities that revolve around the environment is rendered highly meaningful (Bono & Judge, 2003). In addition, a leader who is responsible would motivate employees to take part in decision-making and make it known (amongst employees) that the organisation values their feedback and opinions. This presents employees with a semblance of psychological ownership that caters to their intrinsic requirements and encourages them to execute their jobs in the best manner possible.

5.3 Talent Retention and Organisational Performance

Any organisation is expected to make investments towards the retention of employees with a view to achieve success (Mendes & Stander, 2011). Organisations are often unsuccessful in retaining their talent. As such, they are expected to develop suitable strategies that facilitate talent retention. Ma and Trigo (2008) found that retention serves to motivate employees to continue to be employed within an organisation for a long period of time. The reason is that when talented employees leave an organisation, the costs related to recruiting other talented employees becomes high for any organisation. Apart from direct costs such as costs associated with attracting talent, transition and training, there are also indirect costs linked with a drop in production, lower levels of performance, unwarranted overtime, and very low levels of morale.

Chikumbi (2011) initially conducted a literature review which was later complimented by an empirical investigation. The findings from both methods were compared to assess if there was any variation between the findings from the review of literature and the practices pertaining to talent retention within Zambian banks. This study revealed that in order to ensure success within talent retention, it was imperative to plan the organisational goals with the help of succession planning. Nonetheless, workers often complained that the reward and remuneration system was largely biased, leaving a large number of employees harbouring the feeling that their career prospects were jeopardised. This led to high employee turnover which had a negative impact on the performance of the organisation. In addition, employees lacked a clear perception of the culture of the organisation which made it difficult for them to adhere to the cultural codes.

Another study by Domfeh (2012) attempted to understand the impact of talent retention on the performance of rural banks in Ghana. The study revealed that talent retention enabled rural banks to ensure loyalty amongst customers owing to long term association between employees and customers. Clients and customers engaged or continued to engage in business with an organisation, in part due to the employees within an organisation. A long-term employee has more scope to build trust and develop a relationship that fosters a continuous business sponsorship. In the event that an employee leaves the organisation, the relationship and trust that was developed by the employee for the organisations is terminated and, in many instances, the replacement might not be as friendly as the previous employee. Thus, the study indicated that employee retention can enhance organisational performance through the delivery of service.

6.0 Discussion and Conclusion

6.1 Discussion

Responsible actions that are desired and supposedly initiated by leaders which could effectively tackle the requirements of the stakeholders can be instrumental in enhancing the level of organisational commitment of the followers who expect this kind of responsible behaviour on the part of their leaders (Doh & Quigley, 2014). Such followers have more scope to possess enhanced levels of attraction and attachment to such leaders as well as their organisations. Attractions and attachments of this kind, on the part of the followers, would play a key role in lowering any uncertainty that employees might have regarding their work role, and this would also be beneficial in augmenting positive attitudes towards their work roles (Voegtlin et al., 2012). In such a scenario, leading in a manner which is responsible has more propensity to lower the intention of turnover which, amongst other outcomes, also results in enhancing organisational commitment and offering employee cost-benefits to the organisation. Therefore,
scrutinising the association of RL in terms of organisational commitment might provide useful insights with regards to the turnover intention in situations where turnover has been introduced as a mediating influence (Antunes & Franco, 2016).

This literature review-based research paper deliberates about whether RL influences employee retention. The findings derived on the basis of this review indicate that RL does influence employee retention in a positive manner. This finding is clearly supportive of the findings presented by Chitra (2013) who stated that RL could have a positive influence on the retention of employees within an organisation. Chitra (2013) added that responsible leaders tended to develop a climate of retention within the organisation to facilitates employees to conclude that they are an integral part of an organisation. Further, this would motivate them to remain in their employment for a longer period of time. Similarly, they also found that there was a positive link between RL and employee retention as leaders tended to communicate and be interested in including employees within every activity.

Another major finding of this research is the link between talent retention and organisational performance. In particular, the study revealed that there was a positive and close association between talent retention and organisational performance. Talent retention improves the performance of the organisation in several ways. This finding was in tandem with the findings presented by Domfeh (2012), indicating that talent retention had several effects on organisational performance in myriad ways wherein one impact was that organisations gained operational efficiency. The research found that employees who were engaged with an organisation for a longer period of time, on the basis of their experience, were able to provide exceptional services to customers in shorter time spans. This reduced the queues at the bank being investigated and increased overall turnaround time, thereby improving organisational performance. The finding from this research also found that there was a close association between RL and employees’ autonomous encouragement. The findings from a study by Sougui et al. (2016) revealed that RL encouraged employees by enabling them to concentrate on a higher cause.

6.2 Conclusion
On the basis of the review of literature, it can be concluded that RL does play an intrinsic role in influencing employee retention within organisations. The findings have clearly indicated that if responsible leaders ensure that employees are kept encouraged, this will not only facilitate the retention of talent, but will also increase the productivity of the organisation. Further, from the findings of this research it can also be concluded that RL influences talent retention within organisations. All the literature that has been included within this review reported an inverse association amongst RL and talent retention. The intention of the employee to leave was found to be the favoured measure that was commonly utilised across diverse studies to evaluate retention and turnover rates. In situations where there is a lack of responsible leaders, it has been observed that the intention of employees to leave increases. The converse is true. When leadership is responsible, the intention to leave decreases.

7.0 Limitation and Recommendations for Future Research
While this research involved an extensive literature review to achieve the aim of this research and provided some credible results, it is subject to several limitations that are inherent in a secondary research. The major limitation is that the findings have been gathered from various studies that employed a myriad of methods, involving varied samples and industries. As such, there is no clarity whether these findings can be applied across all industry sectors. Thus, the findings have not been derived specifically from one particular industry or a specific sample or a specific methodology. In order to gain a more detailed insight into this topic and derive a first-hand experience, in future an empirical research over a specific industry needs to be conducted to narrow down the results.

7.1 Recommendation for Practitioners
There is adequate research pertaining to employee identification and their satisfaction with an organisation. These aspects have not been covered within this research. Addressing these variables in order to augment the pride and satisfaction of employees could also be a feasible strategy to enhance talent retention within organisations (Doh et al., 2011).

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