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Microfinance banks and growth of micro, small and medium enterprises in emerging economies: Evidence from Nigeria

Israel S. Akinadewo

Department of Management & Accounting
Obafemi Awolowo University, Ile-Ife, Osun State, Nigeria

Keywords

Entrepreneurs, expected target, Funding, Microfinance banks, MSMEs.

Abstract

This study examined the nexus between microfinance banks and the growth of micro, small and medium enterprises in Nigeria. Research design method through a self-administered questionnaire to respondents was adopted for the study. The respondents comprise the microfinance banks' management and staff and micro, small, and medium business entrepreneurs, in Lagos State, the commercial hub of Nigeria. The targeted population of this study was 250 with 223 validly responded. The study tested two hypotheses using logit regression analysis. The hypothesis one shows that the null hypothesis is rejected with the acceptance of the alternate that the microfinance banks in Nigeria channelled their resources to the intended target (t-calculated of 8.181 is greater than t-tabulated of 0.000 at 5% level of significance). The findings further showed that a significant positive relationship exists between microfinance banks, proxied by Small Scale Financial Services (SSFS); Financial Sustainability (FST); Absence of Assets-based Collateral (AAC); and Advisory Services (ADS) and the growth of micro, small and medium enterprises in Nigeria. This implies that any upward movement in the services of microfinance banks will enhance the growth of MSMEs. This is further affirmed with the t-calculated of 6.540 > t-tabulated of 0.000 at 5% level of significance. Thus, rejecting the null hypothesis two and accepting that there is significant positive link between microfinance banks and MSMEs in Nigeria. This study then recommended among others, the need for government to put in place, a strong and more effective team comprises of all stakeholders, to ensure that the microfinance banks do not derail from their primary responsibility of sustaining funding for the MSMEs.

Introduction

In the global economies, Micro, Small, and Medium Enterprises (MSMEs) are pivotal to poverty alleviation, entrepreneurial development, and financial inclusion strategies of governments. Studies also showed that the contributions of MSMEs to nations' economic growth have been universally recognised (Asor et al, 2016; Obasi et al, 2014). In Nigeria, however, the inability of the MSMEs to adequately access working capital loans to grow and expand the respective businesses through the conventional banking/deposit money banks/commercial banks stimulated the establishment of microfinance banks to bridge the existing lacuna. Similarly, the inadequacy of MSMEs promoters' equity contributions and low working capital, which constraints productive capacities, have also led to the early demise and high mortality rate of MSMEs (Khan, 2020; Akingunola et al, 2018). This lack of adequate finance is seen as the major cause of the relative absence of these enterprises in the poor economies (Alalade et al, 2013). Consequent upon this, the emergence of microfinance banks was to assuage the financial incapability of the MSMEs and to encourage enterprises capacity development. Thus, due to the inability of government across the globe to adequately assist the poor on poverty-alleviation, the discovery of microfinance, however, became valuable for the low-income class to access credit and other financial services (Ailemen et al, 2016).

Despite the importance of microfinance banks in the enhancement of the development of MSMEs in Nigeria, Khan (2020) opined that little entrepreneurs patronise these banks. According to this scholar, the militating factors for this are interest rate and strict borrowing conditions, among others. In the opinion of Alalade et al. (2013), finance remains a strategic resource for MSMEs development because investments are needed for new ideas to become marketable products and services. Accordingly, the inability of the MSMEs, to adequately have access to funding from the MFBS is a major retardation to the planned

economic growth. This assertion by Khan (2020) therefore, has generated a concern among stakeholders and scholars of the need to assess the extent at which the funds available to microfinance banks were channelled to the expected target. Subsequent to this, the microfinance objective includes to assist in the development drive of micro, small, and medium enterprises, to support a sustained economic growth, and to provide loans to micro entrepreneurs to invest in their businesses and grow out of poverty (Abubakar et al., 2015; Ailemen et al., 2016; Asor et al., 2016; Alalade et al., 2013; Khan, 2020; Obasi et al., 2014; Haider et al., 2018; Akande and Yinus, 2015; Moruf, 2013; Dutse et al., 2013; Ede and Elikwu, 2018; Werigbelegha et al., 2018; Akangbe et al., 2012; Obadeyi, 2015; Muthoni, 2016; Sowmyan et al., 2011; Aliu et al., 2015; Taiwo et al., 2016). It is thus expected that the application of the resources of microfinance banks will grow MSMEs in Nigeria, leading to the eradication of poverty and subsequent growth of the economy.

Studies however, revealed that this has not adequately translated into visible growth of the MSMEs in Nigeria. It is believed that with businesses shrinking, the bulk of the less privileged Nigerians have not come to understand the idea of microfinancing (Khan, 2020; Akande and Yinus, 2015; Moruf, 2013; Ede and Elikwu, 2018). These scholars also opined that microfinance services have not really reached the greater number of the target population. It is also argued that some factors still militate against entrepreneurs from patronising microfinance services, and with the snail-like growth of businesses in Nigeria, it is doubtful if microfinance has helped in reducing poverty (Khan, 2020; Akande and Yinus, 2015; Moruf, 2013; Ede and Elikwu, 2018). It is in line with these submissions that this study will also investigate the nexus between microfinance banks and the growth of MSMEs in Nigeria.

Review of related literature

Overview of microfinance services in Nigeria

Muthoni (2016), citing Ruben (2007), believed that group lending method, targeting of women, offering of graduated loans, and higher interest rates than the traditional banks, are the four features of microfinance. These authors argued that microfinance deals with small groups requiring loans for business growth and expansion and also uses microcredit as a tool to enhance economic development to the poor in the society. The microcredit, an important strategy in the global fight against poverty, is one of the products of microfinance institutions for impoverished people to become self-employed and self-reliant (Nawal, 2010, cited by Muthoni, 2016). Microfinance institutions, therefore, serve as a bridge builder for MSMEs in overcoming commercial, economic, and business challenges. In Nigeria, the 2012 Central Bank of Nigeria rules, and regulations for the supervision of microfinance banks, segregated the services into permissible activities and prohibited activities. The March 2020 Exposure Draft of the guidelines for the regulation and supervision of microfinance banks in Nigeria, however, changed the prohibited activities to non-permissible activities (CBN, 2020). The permissible activities in the 2012 regulatory and supervisory framework for MFBS include – the acceptance of various types of deposits including savings, time, target and demand from individuals, groups and associations, except public sector deposits (government); provision of credit to customers, including formal and informal self-help groups, individuals and associations; promoting and monitoring of loan usage among its customers by providing ancillary capacity building in areas such as record keeping and small business management; issuance of redeemable debentures to interested parties to raise funds from members of the public with approval of CBN; collection of money or proceeds of banking instruments on behalf of its customers through correspondent banks; and buying selling and supplying industrial and agricultural inputs, livestock, machinery and industrial raw materials to poor persons on credit and to act as agent for any association for the sale of such goods or livestock.

The prohibited activities for MFBS include – non-acceptance of public sector (government) deposit except for the permissible activities; foreign exchange transactions; international commercial papers; international corporate finance; international electronic fund transfer; cheque clearing activities; dealing in land for speculative purposes; and real estate except for its use as office accommodation (CBN, 2012). The need to reposition and strengthen the MFBS towards improved performance and to complement other ongoing reform in the sector necessitated the reviewed guidelines (Amugo – CBN, 2020). Regarding the 2020 exposure draft, the reviewed guideline streamlined the contents of the permissible activities and the non-permissible activities to encourage the focus and products' deliveries of microfinance banks for

performance enhancement. Regarding this, Ede and Elikwu (2018) argued that the financing mechanisms of microfinance banks in Nigeria are microcredit delivery, small savings and deposit mobilisation, and micro-insurance and guarantee scheme. The scholars further opined that the roles of MFBs in the financing of SMEs in Nigeria are – serving the unbanked population; provision of microcredit facilities; SME entrepreneurial development, financial intermediation, SME employment opportunities, and financial inclusion. To enhance efficient service deliveries, these banks are not only found in the heart of the cities for aggressive marketing and marketing drive, but they are designed to be the nexus and data bank of the government and the traditional banks about the poor of both urban and rural areas (Obasi et al., 2014).

Accordingly, the features designed to differentiate microfinance banks from the traditional financial institutions are the administrative system of giving small and uncollateralised loans to people in the rural communities, with primary focus on agriculture, agro-allied activities, and small-scale businesses, among others (Obasi et al., 2014). Postulating however, Ailemen et al. (2016) argued that the key issues in microfinance include the realisation that the financial needs of the poor people are diverse like loans, savings, money transfer and insurance, which the MFBs provide. The scholars further opined that MFB is a powerful tool in the war against poverty through the building of assets and serving as an absorber to external vagaries and financial shocks. Thus, microfinance banks will enhance savings and investment opportunities through the mobilisation of local savings into productive activities; will improve income distribution of the Nigerian population; will encourage rural industrialisation, which lead to reduction in rural-urban migration; and will encourage entrepreneurship behavior among the youths, women, and the poor in becoming self-reliant (Asor et al., 2016).

Table 1: Permissible activities of MFBs: 2012 and 2020 compared.

2012 Guidelines (Services)	2020 Guidelines - Exposure Draft (Services)
Acceptance of various types of deposits including savings, time, target and demand deposits from individuals, groups, and associations; except public sector deposits (government).	Acceptance of various types of deposits including savings, time, target and demand from individuals, groups, and associations.
Provision of credit to its customers, including formal and informal self-help groups, individuals, and associations.	Provision of credit to its customers.
N/A	Provision of housing loans.
Promotion and monitoring of loan usage among its customers by providing ancillary capacity building in areas such as record keeping and small business management.	Provision of ancillary services such as capacity building on record keeping and small business management and safe custody.
Issuance of redeemable debentures to interested parties to raise funds from members of the public with approval of the CBN.	Issuance of debentures to interested parties to raise funds from members of the public with the prior approval of the CBN.
Collection of money or proceeds of banking instruments on behalf of its customers through correspondent banks.	Collection of money or proceeds of banking instruments on behalf of its customers including clearing of cheques through correspondent banks.
N/A	Act as agent for the provision of mobile banking, micro insurance and any other services as may be determined by the CBN from time to time, within the geographic coverage of its licence.
N/A	Appoint agents to provide financial services on its behalf in line with the CBN Agent Banking Guidelines, within the geographic coverage of its licence.
Provision of payment services such as salary, gratuity, pension for the various tiers of government***.	Provision of payment services such as salary, gratuity, pension for employees of the various tiers of government.
Provision of loan disbursement services for the delivery of credit programme of government, agencies, groups, and individual for poverty alleviation on non-recourse basis***.	Provision of loan disbursement services for the delivery of credit programme of government, agencies, groups, and individual for poverty alleviation on non-recourse basis.

Provision of ancillary banking services to their customers such as domestic remittance of funds and safe custody.	Provision of banking services to its customers such as domestic remittance of funds.
Maintenance and operation of various types of account with other banks in Nigeria.	Maintenance and operation of various types of account with other banks in Nigeria.
Investment of surplus funds of the MFB in suitable instruments including placing such funds with correspondent banks and in Treasury Bills.	Investment of its surplus funds in suitable money market instruments approved by the CBN.
Pay and receive interests as may be agreed upon between them and their clients in accordance with existing guidelines.	N/A
Operation of micro leasing facilities, micro finance related hire-purchase and arrangement of consortium lending and supervise credit schemes to ensure access of micro finance customers to inputs for their economic activities.	Operation of micro leasing facilities, micro finance related hire purchase and arrangement of consortium lending.
Receiving of refinancing or other funds from CBN and other sources, private or public, on terms mutually acceptable to both the provider of the funds and the recipient MFBs.	Participate in CBN intervention Fund and funds other sources.
Provision of micro finance related guarantees for their customers to enable them to have greater access to credit and other resources.	Provision of microfinance related guarantees for its customers.
Buying, selling, and supplying industrial and agricultural inputs, livestock, machinery, and industrial raw materials to poor persons on credit and to act as agent for any association for the sale of such goods or livestock.	Financing agricultural inputs, livestock, machinery, and industrial raw materials to low-income persons.
Investment in shares or equity of anybody corporate, the objective of which is to provide microfinance services to poor persons.	N/A
Encouragement of investment in cottage industries and income generating projects for poor persons as may be prescribed by the CBN.	Investment in cottage industries and income generating projects for low-income persons as may be prescribed by the CBN from time to time.
Provision of services and facilities to customers to hedge various risks relating to microfinance activities.	N/A
Provision of professional advice to poor persons regarding investments in small businesses; rendering managerial, marketing, technical and administrative advice to customers and assisting them in obtaining services in such fields.	Provision of professional advice to low-income persons regarding investments in small businesses.
N/A	Issuance of domestic commercial paper subject to the approval of the CBN.
Mobilise and provide financial and technical assistance and training to micro-enterprises.	Provide financial and technical assistance and training to microenterprises.
Provision of loans to microfinance clients for home improvement and customer credits.	N/A
Performance of non-banking functions that relate to micro finance related business development service such as co-operatives and group formation activities, rural industrialization and other support services needed by micro enterprises.	N/A
N/A	Any other permissible activity as may be approved by the CBN from time to time.

Source: Tabulated from the records of CBN (2012) and CBN (2020)

The Nigerian government through the CBN in table 2, also revised the prohibited activities that the MFBs should not engage, both in semantics and in contents. The word “prohibited” was changed to “non-permissible”, and the 2020 exposure draft was done to include collection of third-party cheques and other instruments for the purpose of clearing through correspondent banks (cheque clearing activities under the 2012 regulations), and financing illegal activities, etc. These were done to support the development and sustainability of MFBs (Amugo - CBN, 2020).

Table 2: Prohibited (Non-Permissible) activities of MFBs: 2012 and 2020 compared.

2012 Guidelines	2020 Guidelines - Exposure Draft
Acceptance of public sector (government) deposit except for the permissible activities ***(see table 1)	N/A
Foreign exchange transactions.	Foreign currency transactions, except foreign currency borrowings.
International commercial papers.	International commercial papers.
International corporate finance.	International corporate finance.
International electronic funds transfer.	International electronic funds transfer.
Cheque clearing activities.	Clearing house activities.
N/A	Collection of third-party cheques and other instruments for the purpose of clearing through correspondent banks.
Dealing in land for speculative purposes.	Dealing in land for speculative purposes.
Real estate except for its use as office accommodation.	Real estate except for its use as office accommodation.
Allow any facility for speculative purposes.	Provision of any facility for speculative purposes.
Enter into leasing, renting, and sale/purchase of any kind with its directors, officers, employees, or persons who either individually or in concert with their family members and beneficiaries own five percent (5%) or more of the equity of the MFB, without the prior approval in writing of the Central Bank of Nigeria.	Leasing, renting, and sale/purchase of any kind with related parties and/or significant shareholders (five percent or more of the equity) of the MFB, without the prior written approval of the CBN.
N/A	Financing of any illegal activities.
N/A	Any activity other than those permitted as stated above or as may be prescribed by the Central Bank of Nigeria from time to time.

Source: Tabulated from the records of CBN (2012) and CBN (2020)

The impact of micro, small and medium enterprises on Nigeria's economic growth

The high level of poverty in emerging economies like Nigeria could be seen as a reflection of its snail-like growth. According to Khan (2020), small and medium scale business is one of the widely practised venture in Nigeria but having a mirage of problems like constrained access to funding. This scholar believed that small and medium enterprises contribute to the development of the economy through output of goods and services, creation of jobs at a relatively low capital, serving as the autopilot for the minimisation of income disparities by advancing the availability of skilled and semi-skilled workers for industrial expansion, and offer excellent breeding ground for entrepreneurial and managerial talent. The Small and Medium Enterprises (SMEs), equally known as Micro, Small and Medium Enterprises (MSMEs), serves as the bedrock for the emergence of new entrepreneurs to attaining the level of established commercial enterprises. Asor et al. (2016) believed that small scale businesses contribute to employment generation, ensure income equality, improve the standard of living and rapid industrialisation, and could also foster economic and social development in Nigeria.

In contributing to the problems of MSMEs in Nigeria, Alalade et al. (2013), postulated that the capital providers are primarily averse to the financing of this sector due to the high transaction cost, low returns, and the going concern threat, which they see as highly risky. Alalade et al. (2013) believed that financing still remains the strategic resource for new ideas and for the survival of MSMEs. Despite the relevance of funding for the growth of small-scale businesses, Andabai and Jessie (2018) opined that their growth has not been significantly enhanced by the activities of microfinance banks. Examining the

implication of the assertion of Andabai and Jessie (2018), Obadeyi (2015) argued that the problem of underdevelopment arises as a result of the reluctance of traditional banks to grant loans to the low-income earners, micro business owners and the rural people. Regarding this, the MSMEs are still underfunded and only 50% of Nigeria's poorest households have access to financial services (Obadeyi, 2015; Akande and Yinus, 2015). Moruf (2013) whilst contributing, argued that microfinance banks are competing with the traditional banks for universal banking rather than focussing on the small-scale businesses they were purposively established to undertake. Consequently, there is a need for a more effective monitoring of the activities of the microfinance banks by the relevant regulatory authorities, for better efficient service delivery. The divergent view of Bakare (2019), however, showed that Nigeria has recorded appreciable economic growth through the funding of MSMEs.

Theoretical framework

The theories in financing activities, relationship between lenders and the borrowers, as well as the financial intermediation include - Financial Constraint Theory, Pecking Order Theory, etc. Ede et al. (2018) argued that the existence of a well-functioning financial intermediation between the lender and the borrower would provide efficient allocation of resources, which will lead to the growth of other economic sectors. The relevant theories reviewed, will therefore, show the connecting link between lenders and the borrowers in relationship to economic growth.

Financial Constraint Theory (FCT)

Ede et al. (2018) opined that this theory was pioneered by Fazzari et al. (1988). Study posits that FCT tests for differences in sensitivity of investment to internal funds in businesses, having consideration for different levels of informational opacity. This it does through the splitting of a sample of enterprises into subsamples, which is defined according to the suitable theoretical antecedent that characterises constrained and unconstrained firms (Ede et al., 2018). Mansour and Chichti (2011) asserted, however, that FCT studies the effect of financial frictions on enterprises' finance. The scholars argued that this theory hinges on the theoretical underpinning that encompasses the information-driven problems of studying firm's investment under the incentive restriction(s). In their contributions, Clementi and Hopenhayn (2006) postulated that borrowing constraints have important implications for firm's growth and survival. Thus, borrowing constraints emerge as a feature of the optimal long-term lending contract, and such constraints relax as the value of the borrower's claim to future cash flows increases (Clementi and Hopenhayn, 2006). According to these scholars, the optimal contract has interesting implications for firm dynamics with the empirical evidence, as age and size increase, mean and variance of growth decrease, and firm survival increases.

Pecking Order Theory (POT)

This theory argued that the financial needs of MSMEs are met in order of hierarchy (Myers, 1984; Myers and Majluf, 1984; Lucas and McDonald, 1990; Taiwo et al., 2016; Gunarsih, 2011). The theorists believed that small businesses obtain their initial funds internally and as the financial needs increase, they resort to debt capital (Taiwo et al., 2016). Gunarsih, (2011) further opined that managers have more information about the true value of the enterprise and enterprise risk compared to outside investors. Accordingly, firms finance their activities with retained earning when feasible, if these are inadequate, then debt is used, and it is only in extreme cases will firms use new equity finance (Myers, 1984, cited by Gunarsih, 2011). Thus, pecking order theory predicts that the issuance of equity (common stock) is the last alternative sources of funding, which means that firms turn to debt funds under pressure of an internal fund's shortage (Gunarsih, 2011). This study is thus anchored on the pecking order theory.

Empirical Review

Literature abounds on the relationship between microfinance institutions and micro, small, and medium enterprises, especially on funding of the latter. Scholars have also researched on the impact of MSMEs on developmental activities of emerging economies like Nigeria with mixed findings. For instance, Taiwo et al. (2016) explored the roles of microfinance banks and institutions on small and medium enterprises and the extent to which the small businesses have benefitted from the credit scheme of the former. The study adopted primary data through interviews conducted on 15 small businesses

across Lagos State, Nigeria. The study revealed that small businesses have not been given the deserved and adequate recognition that corresponds with the intensity of their contributions to economic development. The study also shows that microfinancing has a huge potential for increasing the performance of small businesses through frequent contributions in microfinancing and provision of non-financial services. Obadeyi (2015) examined the relationship between microfinance banking and the development of small business in Nigeria. The study adopted primary data through questionnaire and oral interview on 80 respondents with 70 effectively responded. The study established that microfinance banks have the capacity to boost economic growth in Nigeria. Asor et al. (2016) examined the impact of microfinance banks on small scale businesses in Calabar, Cross Rivers State, Nigeria. The study adopted descriptive research method on both small-scale businesses and microfinance banks. The findings revealed increased challenges of microfinance operations and the challenges of small-scale businesses. The results also show that microfinance banks have a significant impact on the growth of small and medium businesses.

In the investigation of the contributions of microfinance banks to the development of small and medium scale enterprises in Damaturu, Yobe State, Nigeria, Khan (2020) administered questionnaire to 50 respondents with 41 respondents correctly filled and returned. The study analysed data through chi-square tool to test the hypotheses. The findings revealed that strict borrowing conditions militate against the efforts of entrepreneurs from patronising the banks. Bakare (2019) investigated the nexus between microfinance credit and small and medium business growth in Nigeria from 2006-2014. The results from panel data analysis revealed that bank credit has negative and a statistically insignificant relationship with business growth in Nigeria. Ailemen et al. (2016) examined the roles of microfinance towards the dispersion of credit among the working poor and the standard of living. Field survey was adopted with data analysed through descriptive and inferential statistics. The findings from the analysis of the cross-sectional data revealed that microfinance banks in Nigeria are tailored after the Grameen Bank, with focus on the poor. Akande and Yinus (2015) assessed the role of microfinance banks on the development of small and medium scale enterprises in Nigeria. Primary and secondary data were used for the study. The instruments for primary data were questionnaire administered one hundred two (120) questionnaires to registered SMEs in Lagos State, with one hundred and four (104) found useful. The results revealed that a considerable number of people that patronise microfinance banks have the knowledge. The findings also showed that microfinance banks have positive influence on entrepreneurial development.

Akingunola et al. (2018) investigated the impact of microfinance banks on micro and small enterprises in Ogun State, Nigeria. Survey design method was used with the administration of 408 questionnaires on micro-enterprises. The findings revealed a negative nexus between intermediary financial services and small-scale businesses. The results also showed a positive relationship between microcredit and business expansion. Alalade et al. (2013) examined the relationship and causality between microfinance bank operations and entrepreneurship development in Ogun State. The study adopted survey research design with data collected through financial statements and questionnaire. The findings revealed that there is no significant difference between entrepreneurs that use microfinance banks in terms of loans and advances and those that did not. It was also revealed that the inability of the SMEs entrepreneurs to provide the collateral assets prevented them from assessing the required loans from microfinance banks. Moruf (2013) evaluated the convenience at obtaining credit, adequacy of the credit supplied relative to demand, among others from microfinance banks and the extent at which SMEs have benefitted. The study which was conducted on SMEs in Osun State, Nigeria, administered questionnaire on SMEs in addition to their financial statements. The results showed a positive and significant relationship between microcredit delivery service of microfinance banks and the performance of SMEs.

Despite these studies, there is still a wide gap to fill as to the extent at which microfinance banks applied their resources for the use of micro, small and medium enterprises in Nigeria. The most recent development on the nexus between microfinance banks and MSMEs as to the contemporary challenges faced by these low-income entrepreneurs in business sustainability is also a gap to fill. Thus, this study aims at proffering empirical solutions to these.

Methodology

Primary data through survey research design was used. Self-administered questionnaires were adopted to obtain the relevant data for the study. The targeted population and the sample size were 250 microfinance operators and micro, small, and medium entrepreneurs in Lagos State, Nigeria, with 223 (89.2%) respondents validly returned their copies. The study chose Lagos State because it is the commercial hub of Nigeria and having the highest concentration of entrepreneurs and microfinance operators in Nigeria. Logit regression method was used to analyse data.

Model specification:

Microfinance Banks Services (MFBS) is the independent variable and proxied by Small Scale Financial Services (SSFS); Financial Sustainability (FST); Absence of Assets-based Collateral (AAC); and Advisory Services (ADS).

Growth of Micro, Small and Medium Enterprises (GMSME) is the dependent variable. Meanwhile, two hypotheses were formed and tested by the study.

The model is expressed as follows:

Growth of Micro, Small and Medium Enterprises (GMSME) = f (Small Scale Financial Services (SSFS); Financial Sustainability (FST); Absence of Assets-based Collateral (AAC); Advisory Services (ADS) (1)

$$GMSME = f (SSFS, FST, AAC, ADS) \dots\dots\dots (2)$$

$$GMSME = f (\beta_0 + \beta_1SSFS + \beta_2FST + \beta_3AAC + \beta_4ADS + \mu) \dots\dots\dots (3)$$

Data presentation, analysis, and discussion of findings

Test of Hypothesis

This study tested two hypotheses. The hypotheses stated in null form are:

Microfinance banks have not significantly channelled their resources toward micro, small, and medium enterprises.

There is no significant positive relationship between microfinance banks and micro, small, and medium enterprises.

Hypothesis 1

Microfinance banks have not significantly channelled their resources toward micro, small, and medium.

The coefficient in table 3 revealed that the t-calculated of 8.181 is greater than t-tabulated of 0.000 at 5% level of significance. Consequently, the decision rule is that if the t-calculated < t-tabulated, then the null hypothesis should be rejected by accepting the alternate hypothesis. It can then be concluded that microfinance banks have significantly channelled their resources toward the expected target (MSME).

Table 3: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.779	.340		8.181	.000
	Expected Target (ET)	.387	.071	.343	5.437	.000

Dependent Variable: Fund of Micro Finance Banks (FMFBs)

Source: Author’s field work (2020)

Hypothesis 2

There is no significant positive relationship between microfinance banks and micro, small, and medium enterprises.

Model estimation from the statistical output:

$$GMSME = 3.510 + 0.115SSFS + 0.045FST + 0.055AAC + 0.033ADS.$$

The a priori expectation - $\beta_0 > 0$, $\beta_{1-4} > 0$, is thus met.

The result of the regression analysis showed how much of the variation in the dependent variable is explained by the variation of the components in the independent variable. The decision rule is that the null hypothesis should be rejected if the t-calculated is greater than the t-tabulated and vice versa. In the multiple regression analysis results, t-calculated of 6.540 is greater than t-tabulated of 0.000 at 5% level of significance, which indicates that the null hypothesis is rejected and accepting the alternate hypothesis.

Thus, there is significant positive relationship between microfinance banks and growth of micro, small, and medium enterprises in Nigeria. This result is also affirmed from the level of significance of the components of the independent variables of 0.000, 0.087, 0.528, 0.358 and 0.616 which are less than 5% acceptable level of significance. The result also shows that there is positive relationship between Small Scale Financial Services (SSFS) and Growth of Micro, Small, and Medium Enterprises (GMSME) since β_{SSFS} (0.115) is positive, indicating that Small Scale Financial Services (SSFS) of microfinance banks will lead to the Growth of Micro, Small, and Medium Enterprises (GMSME). It also shows that there is positive relationship between Financial Sustainability (FST) and Growth of Micro, Small, and Medium Enterprises (GMSME) since β_{FST} (0.045) is positive, which means that through Financial Sustainability (FST) programs of microfinance banks, there will be Growth of Micro, Small, and Medium Enterprises (GMSME). The result also shows that there is positive relationship between Absence of Assets-based Collateral (AAC) and Growth of Micro, Small, and Medium Enterprises (GMSME) since β_{AAC} (0.055) is positive. This means that the Absence of Assets-based Collateral (AAC) will increase the access to loans and lead to the Growth of Micro, Small, and Medium Enterprises (GMSME). The result also shows that there is positive relationship between Advisory Services (ADS) and Growth of Micro, Small, and Medium Enterprises (GMSME) since β_{ADS} (0.033) is positive. This means that the Advisory Services (ADS) of microfinance banks will result in the Growth of Micro, Small, and Medium Enterprises (GMSME).

Table 4 shows that R was 0.155. This implies that there is a positive nexus between the components of the independent variables and dependent variable. The coefficient of determination R^2 was 0.024. This indicates that 2.40% of growth of micro, small and medium enterprises in Nigeria, could be explained by microfinance banks services, while the remaining 97.6% could be as a result of other variables not accounted for in this model. Table 6 also shows that relationship between MFBs and GMSME is statistically significant ($P = .000 < .05$) with t-statistics = 6.540. The adjusted R^2 (0.006), which is closer to the R^2 (0.024). This implies that the model is fit for making generalization. Thus, microfinance banks services, proxied by SSFS, FST, AAC, and ADS have significant positive effect on the growth of micro, small and medium enterprises in Nigeria.

Table 4: Model Summary

Model	R	R Square	Adjusted Square	Std. Error of the Estimate
1	.155 ^a	.024	.006	.54400

a. Predictors: (Constant), SSFS, FST, AAC, ADS

Source: Author's field work (2020)

Table 5: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.594	4	.398	1.346	.254 ^b
	Residual	64.514	218	.296		
	Total	66.108	222			

a. Dependent Variable: GMSME

b. Predictors: (Constant), SSFS, FST, AAC, ADS

Source: Author's field work (2020)

Table 6: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.510	.537		6.540	.000
	SSFS	.115	.067	.119	1.722	.087
	FST	.045	.071	.044	.632	.528
	AAC	.055	.059	.063	.921	.358
	ADS	.033	.066	.035	.502	.616

a. Dependent Variable: GMSME

Source: Author's field work

Policy implications and recommendations

Conclusion

To actualise the developmental programs of government, especially in emerging economies like Nigeria, effective funding of micro, small and medium enterprises is imperative. Despite the importance of this sector in national development, studies have shown that funding is a major obstacle to its growth (Khan, 2020; Akingunola et al., 2018; Alalade et al., 2013). To address this lacuna, government established microfinance banks to fund the MSMEs. According to scholars, this has not effectively translated to expected growth for this sector (Khan, 2020; Akande and Yinus, 2015; Moruf, 2013; Ede and Elikwu, 2018). This has elicited concern from the stakeholders in ascertaining if the resources of microfinance banks have really been channelled toward the expected target and to empirically ascertain if there is any nexus between microfinance banks and MSMEs in Nigeria, the main objective of this study. Previous studies, however, have examined the impact of MFBs on small enterprises, most especially on entrepreneurial development (Bakare, 2019; Akingunola et al, 2018; Obadeyi, 2015; Akande and Yinus, 2015). These have been achieved without extensive investigation on allocation of resources to MSMEs. This study thus brought to fore from the perception of MFBs operators, how the resources were channelled to the MSMEs. The study is also in agreement with Sussan and Obamuyi (2018), Asor et al. (2016), Akande and Yinus, (2015), and Akingunola et al (2018), but in contrast with the studies of Alalade et al (2013), Obasi et al (2014), and Bakare (2019), on the relationship between the independent and dependent variables. The findings, however, showed that the resources have been channeled to the expected target (MSMEs) by the rejection of the null hypothesis. The results also revealed a positive significant nexus between microfinance banks and the growth of micro, small and medium enterprises in Nigeria. This means that any increase in the deployment of microfinance banks services as represented by Small Scale Financial Services (SSFS); Financial Sustainability (FST); Absence of Assets-based Collateral (AAC); and Advisory Services (ADS) toward MSMEs will translate to growth in the industry. Thus, MFBs is positively linked to GMSME.

Recommendations

In consideration of the findings of this study, it is recommended that:

1. A strong and more effective team comprises of all stakeholders should be put in place by the government to ensure that the microfinance banks do not derail from their primary responsibility of sustaining funding for the MSMEs.
2. Central Bank of Nigeria (CBN) should be more proactive to address any area of infractions by microfinance banks for a more efficient management.
3. Timely statutory audit of microfinance banks should be procedurally addressed to guide against accumulation of internal control weaknesses, most especially as it concerns granting of credits to MSMEs.
4. There should be effective management and monitoring of the MSMEs to ensure that the facilities granted are utilised as intended.
5. Government should do a more effective profiling of MSMEs in the country so as to have the true picture of the needs for better economic development of the country.

Limitations of the study

The social distancing in Nigeria as a result of the Covid-19 pandemic could not enable the authorities in charge of the association of microfinance banks in Lagos to respond to the request for its membership. This, if obtained, could have been used to determine a more scientific sample size. The study could equally have included other big cities like Portharcourt, Kano, Onitsha, and Ilorin from other zones in Nigeria in the population, to a get a more representation of microfinance banks and MSMEs in Nigeria.

Areas for further research

Regarding the impact of the Covid-19 pandemic on business activities and the relative inflation in Nigerian economy, further studies could examine the impact that this would have on the disbursement pattern of MFBs resources to MSMEs. Further research could also adopt secondary data from the records of the MFBs, to ascertain how the resources allocated to MSMEs, affect economic growth, using time series and/or cross-sectional data analysis methods.

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Distinctive marketing strategies of different industries in India

Rahul Gupta Choudhury

International Management Institute (IMI)
Bhubaneswar, Odisha, India

Keywords

Marketing strategies, Consumer Durables, FMCG, India

Abstract

Different firms follow different strategies. It is partially dependent on the industry they operate in. The objective of the study is to find out whether there are similarities between firms operating in the same industry sector in terms of strategy. Another subsequent objective is to look at the similarities in strategy undertaken by firms in the same industry sector and whether and how the strategies pursued by firms in different industry sectors are different. The study was carried out in India. It was found that there are lot of commonalities in strategy between firms operating in the same industry sector. Also, strategies pursued by firms in different industry sectors are distinctly different. There are certain strategic factors like price and quality which are common to all industry sectors. The bottom line is that consumers want value and firms has to provide value, the composition and factors comprising value differs according to the industry the firm operates in.

Introduction

Industry is divided into various sectors depending on the products or services they produce. All firms have the primary objective of fulfilling the needs of its customers/consumers. In order to do this, they adopt strategies which encompass the various functions of the firm. Now, these strategies are different for different firms, and they differ from industry to industry. This is primarily because of the difference in needs of customers of different firms in diverse industries, as well as the macro-economic environment. Not every firm in a given industry follow the same strategy, but there is an underlying similarity in strategic outlook of firms in the same industry. These strategies are, again, different for firms in different industries. It is the intention of this study to identify the strategic differences among diverse industries. There has been a lot of deliberation on whether firm-specific strategy is more relevant than industry strategy. The concepts of SCP (structure-conduct-performance) and the RBV (resource-based view) has for a long time dominated the discourse on the functioning and performance of firms and industries. At an aggregate level, there are many similar strategies that firms belonging to a particular industry follow, irrespective of the firm's position in the industry. Normally it is observed that in any given industry, there are outstanding performers who elevates the overall performance of the industry. Then there are average performers and still further down are the laggards who pull down the performance of the industry. The methodology of this study precludes the consideration of firm-level differences and, instead, highlights the overall differences among industries in terms of strategy (primarily marketing).

There is no doubt about the fact that different firms pursue different strategies – as strategies are made on the basis of the internal as well as the external environments that the firms face. The firms operate within a given industry and there are certain given characteristics of the industry as well. As has been discussed earlier, there has been considerable debate and discussion on whether firm-specific attributes or industry characteristics have a more important role to play in deciding about the strategies to be pursued by the firm. This study, however, does not enter into that debate. This study is more interested in finding out whether certain aspects of strategies pursued by firms in different industries are different. That means, firms belonging to a certain industry will pursue different strategies compared to those of firms belonging to a different industry. The study considers certain aspects of the overall strategies of firms belonging to a certain industry and compares that with those aspects of the strategies being pursued by firms belonging to other industries. So, the primary objective of the paper is to unearth and compare the distinctively different strategies pursued by firms operating in different industries. The differences in strategy are at the industry level and not firm-specific.

Objective & research method

In order to understand the strategies pursued by these firms, a study was conducted with the help of a detailed structured questionnaire. The questionnaire was sourced from literature. It is divided into the following ten sections: background, market, target audience, competition, offering, sales and buying process, pricing, strategy issues, impact of marketing strategy, and marketing strategy decisions. In the questionnaire, questions were formulated on a wide range – from markets to quality as well as R & D. The objective was to ascertain the direct as well as indirect impact of business strategy on various aspects of the functioning of the firm – from defects and waste to inventory, from customer management to personnel, and from labor to risk management. A particular area is devoted to questions pertaining to product, from design to development, and from technology to performance. Strategic competitive goals were also discussed wherein questions were asked regarding particular marketing strategies like lower selling prices, distribution, product, delivery, advertisement, and sales promotion.

However, this paper will enumerate the strategic differences on the following factors only: market opportunity and size, customer's basic need and primary reason for buying, competitive activities, distinction with competitors and barriers to entry in the marketplace, improvements in offerings, pricing and value delivery, and industry trends. These factors enabled us to ascertain whether there are distinct strategies being conceptualized and implemented by different types of firms, depending on the industry they belong to. The idea was to understand, for example, whether firms in consumer durable industry have different sets of business and/or marketing strategies compared to firms in the industrial products category.

In order to establish these differences in strategy, responses or answers were required from executives of organizations who were aware of the strategic direction of their firms and the consequent results they have obtained. The responses were obtained by administering a detailed questionnaire to top executives (mostly, General Managers and above) of companies operating in India. The questionnaire has a combination of open as well as close ended questions, such that executives were not required to divulge confidential information on the one hand, and on the other hand, no constraints were put on them in terms of answering questions they feel they need to answer in detail. Analysis of their responses established the direction and magnitude of distinctiveness of strategies being undertaken by different sets of firms operating in India.

The study encompasses firms across the entire spectrum of Indian industry. There are some associations of Indian industries like Confederation of Indian Industries (CII) and ASSOCHAM, which has membership of different kinds of firms across the country. The members of these associations are among the top-rated firms in the country and fairly reliable in their systems and processes. CII has approximately 7000 members and ASSOCHAM has about 4500 members. Some memberships are common. The questionnaire was pretested on some executives and some members of the academia as well. It was administered to top executives of these firms through e-mail. Initially, the recipients were all firms listed in the membership of CII. So, a total of 7000 firms, who were members of CII and ASSOCHAM received email invitations to participate in the survey. The target firms were of all sizes and came from almost all major industries in India. Reminders were sent to the target firms after a gap of 15 days. A total of 105 complete responses were received from the target sample of 7000 firms. However, the responses from firms were a fair representation of the Indian industry.

Out of the 105 responses received, 33% were from foreign owned businesses, and 67% were from domestic businesses. Industry wise break-up of responses are the following: 5% from FMCG, 9% from Consumer Durable, 33% from Industrial Products, 8% from Software, 3% from Pharmaceuticals, 2% from Telecom, 4% from Banks, 3% from Automobiles, and 34% from Services. The method obtained for identifying the industry in cases where it is a well-diversified conglomerate was that the respondent was requested to respond on the basis of the product-market (division) which contributed the most to the revenues or profits of the corporate entity.

Analysis

The analysis of this survey is more qualitative in nature than quantitative.

Consumer companies report that price is a very important factor for their customers. It is observed that price is of greater significance for FMCG products compared to consumer durables. Consumer

companies feel that the customer today is more concerned about value rather than price per se. However, shift in price points create instability in the market and the brands take their price change decisions based on the market leader or the price leader in the category. Quality of the product, especially in the consumer durable category, plays a very important role in the purchase decision of their customers. Customers are not willing to make any compromises in the trade-off between price and value – they want the best possible value at the least possible price. For the MNCs in the consumer marketing space, India is a price sensitive market, but most customers would prefer value over price. The trade-off between price and value is made only when the quality of the product is very high. A few consumer companies also feel that product features and brand are more important than price. This may be true for a range of high-end products. Most Software companies consider price as one of the most important criteria for sales. However, MNCs have the same opinion that India is still a very price sensitive market. Some customers of software products prefer value over price, and for some customers – the skills and the scope of the work matter more than just price. In the software industry, time taken for a project and the design is also a crucial factor.

In the pharmaceutical industry as well, price is important – but so is reputation. It is not very clear as to the composition of this reputation, but a valid premise would be the effectiveness or quality of the products. Some of the customers in this industry are value oriented as well. In the intensely competitive telecom market, price is of major importance. As one company in the telecom industry observed, value is delivered by constantly lowering the operating cost. This means, the companies try to minimize the total cost of running the business – the amortization of capital expenditures plus the operating expenditures. The banking sector also feels that price is very important. Some banks are of the opinion that customers give more importance to pricing of their products than value. In the automobile sector, customers at the entry level are very price sensitive. However, as the customers move up the ladder in terms of better quality and higher priced products, the price sensitivity keeps coming down. So, only customers at the bottom of the hierarchy of products and price are price sensitive. This sensitivity is very low at the upper stages of the hierarchy of products and price. In case of Industrial products, the scenario is slightly different. A very large number of industrial product manufacturing firms are of the opinion that price is not so important as compared to value. Customers in this category look for quality and performance; some of them are more prone to considering service quality as one of the most important criteria for making a purchase. Some companies in this category say that price is very critical as the purchasing officer is evaluated on the amount of reduction of cost, he is able to achieve. In some cases, there are regulatory issues which takes precedence over prices.

For many MNCs, the entry route is through pricing only. This gives them a foothold in the market. However, sustaining and growing the business is possible only through the value route. For some customers in this product category, reputation and track record is more important than price. The rest of the respondents or companies are mostly from the service industry. A small percentage of this sector said that price is the most important factor and is almost critical for their customers' decision. However, this subgroup is very small in number. Most of the service sector is of the opinion that for most customers, value is more important. Some customers have a budget, and they want to optimize their purchases in order to remain within their budgets. The reason for this behavior is that most of it is institutional business. For some customers, time taken to complete a project is of paramount importance. For companies in the hotel industry, the brand or some other value-added service is the differentiator. For those in the education or similar sector, like consultancy, value is of prime importance. Time is a very important criteria for some customers. When the job has to be done on priority, the importance of price in the decision-making process comes down considerably. In this category, time and quality often get as much or more importance than price.

Table 1: Importance of Pricing & other Factors

Product Category	Important Components
FMCG	Very important; Determined by market leader or price leader in the category;
Consumer Durables	Value more important; Quality more important; Product features & brand;
Software	Very important; Value; Skills & scope of work; Time taken & design;
Pharmaceuticals	Important; Reputation; Some are value oriented;
Telecom	Very important; constant lowering of operating cost;
Banks	Very important – more than value;
Automobiles	High sensitivity at entry level; Very little at higher levels;
Industrial Products	Value more important than price; Quality & performance; Reputation & track record; Regulatory issues;
Service Industry	Value; Optimization of budget; Time & quality; Brand;

The respondents were also asked about the factors that could drive prices up or down. In the consumer industry, the main factor is competition. Almost all companies in this category talked about intense competition. Consumer durables companies went a step further and talked about macro-economic factors impacting prices. Technology also plays an important role. Companies with the latest technologies drive prices down. Prices of raw materials is obviously an important component impacting prices. Another factor bringing down prices is the growth of the middle class which is increasing consumption at a rapid pace – thus bringing down prices. In the software industry, apart from competition, the factor impacting the prices are the state of the client organizations/industry. This means, Software companies who are vendors of automotive companies, are finding it difficult to maintain prices as the automotive industry is moving towards more of “low maintenance costs” cars. In the pharmaceutical industry, price changes are determined by raw material prices and competition. In the telecom industry, prices are determined by the innovative use of existing resources. The more innovative the use, more the efficiency – which leads to lowering of prices. In the banking sector, prices are dependent on government rates driven by RBI. It is also dependent on the expenditures of the bank vis-à-vis profits earned. In the automobile sector, prices are impacted by manufacturing efficiencies including technology. Service revenues of OEMs also influence the pricing in the automobile sector. There are various perspectives in Industrial products category as this category is an amalgamation of varied types of industries – with different products and markets. Some of the companies talk about competition and technology, some others about exchange rates, and still others about investments in infrastructure. For some companies in this category, volumes determine the prices. Raw material prices influence prices, and then there is the real danger of commoditization. Macro-economic factors along with regulations also determine prices for some companies. In the service industry, demand supply gap along with technology and competition impacts prices. Raw materials are also an important factor. Some service industry companies talked of customer stickiness and brand recognition as well.

Table 2: Factors Influencing Pricing

Product Category	Factors
FMCG	Competition;
Consumer Durables	Competition; Macro-economic factors; Technology; Prices of raw materials; Growth of middle-class;
Software	Competition; State of the client organization/industry;
Pharmaceuticals	Competition; Raw material prices;
Telecom	Innovative use of existing resources;
Banks	Government rates – RBI; Expenditure vs profits;
Automobiles	Manufacturing efficiencies; Technology; Service revenues of OEMs;
Industrial Products	Competition; Technology; Exchange rates; Investments in infrastructure; Volumes; Raw material prices; Commoditization; Regulations; Macro-economic factors;
Service Industry	Competition; Technology; Demand supply gap; Raw material prices; Customer stickiness; Brand recognition;

The respondents were then asked about the primary reason for buying or wanting to use their product or service. FMCG companies all talked about their product. The companies were of the opinion that it is the right kind of product for their target customers that made the customers buy their product. The consumer durable companies felt that the good quality of their products and the good quality of their service motivated the consumers to buy their products. On-time delivery is also one of the important factors for their customers to purchase their products. For MNCs in the consumer durable space, localization of their products is very important. In the software industry, the key factor is service – service which helps their client organizations to run or perform better. The other important factors are pricing or value, quality design concept, and core domain knowledge. The pharmaceutical industry is almost unanimous that the most important factors are quality and service. Price also does play an important role sometimes. For the telecom industry, the important factors for the customers to buy their products are uniqueness and efficiency. In the banking sector, the important factors are trust and better service. Competitive pricing also sometimes becomes important in this sector. The customers of automobiles buy the product only because world class technology is provided at very competitive pricing. The overwhelming response from the industrial products category is that their customers buy from them because they produce high quality products and provide excellent service. Quality and service are the core reasons for customers buying their products. Some of them did mention that prices or value is also important sometimes. However, many companies, especially MNCs, are of the opinion that brand matters. Customers buy from them because they have a good brand name in addition to the essential features of quality and service. The most important factors in the service industry are quality, and service and sometimes, price. One of the distinguishing features of this category is that these companies must be able to improve the operating parameters of the client organization. Hence some of them get the outsourced work of very large organizations. So, naturally, the client organization expects them to do the job better than if they had done it themselves. They try hard to improve the efficiency and effectiveness of the systems operating in the client organizations. Since many of these companies are in B2B situations, it is also very important to form long term business relationships with their clients.

Table 3: Reasons for Buying

Product Category	Factors
FMCG	Product – Right fit with target segment;
Consumer Durables	Quality; Service; On-time delivery; For MNCs – Localization of products;
Software	Service; Pricing/value; Quality design concept; Core domain knowledge;
Pharmaceuticals	Quality; Service; Price;
Telecom	Uniqueness; Efficiency;
Banks	Trust; Service; Competitive pricing;
Automobiles	World class technology; Competitive pricing;
Industrial Products	Quality; Service; Price; Brand;
Service Industry	Quality; Service; Price; Improve operations of clients; Efficiency & effectiveness; Long-term business relationship;

The respondents were then asked about the barriers to entry into the marketplace that they are creating for other businesses. The following table summarizes their responses:

Table 4: Barriers to Entry

Product Category	Factors
FMCG	Cost competitive expertise; Product innovation; Better relationship with customers & motivated sales team;
Consumer Durables	Very low entry barriers; Customization; Investments; Technicalities and service;
Software	First mover's advantage; low cost; High ROI for customers;
Pharmaceuticals	Better quality products and timeliness of service; Capital expenditure in fixed assets resulting in innovative products, larger range, better packaging
Telecom	First to market; Project gestation delay; Integration of customized software;
Banks	Government restrictions; Capital requirements;
Automobiles	Exclusive OE tie-ups;

Industrial Products	Low cost and consistent quality; High working capital and infrastructure cost; Customization & customer relations; Cost leadership; Fast response and wide supplier network; Product innovation; Brand; Intellectual property; Maintenance; Technology;
Service Industry	Investments in technology; Patented products; Relationship with customers; Price & service levels; Quality; Contracts with customers; Regulatory restrictions; Strong brand; Reputation; Difficulty of customer acquisition;

Conclusion

The paper has highlighted the differences among firms across various industries on some very certain parameters related to strategy. Looking back, there are certain commonalities as well. Price is important across all industries. The pricing of products and services are driven by competition, but the primary reason why consumers buy from the firms is quality. So, the traditional concept of price, competition and quality stands good even today. The firms do try to create barriers to entry and the primary barrier in many industries is the requirement of high investments. The similarities, however, ends there. The industries vary widely in their strategy pertaining to pricing as well as in giving their customers some solid reasons for buying their products. It is observed that customers are more sensitive to prices in the low-priced product categories compared to the higher priced categories. There are lots of strategic parameters on which customers base their decisions and thus enforce the industries to provide these same parameters in the products and services that companies produce and supply. It is no longer a scenario of only producing quality products at reasonable prices. Now, price and quality are hygiene factors. Companies has to really provide value, in order to attract and retain customers. This value is defined in different ways by customers belonging to different industries. It is for the industry to identify and understand these needs and wants and then provide them to the customers.

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Perceived organisational justice among academic employees at a selected higher learning institution.

Nethavhani, Andani
Maluka Harriet Rivalani
University of Limpopo, South Africa

Keywords

Organisational justice; Academic employees; Distributive justice; Procedural justice; Interactional justice, Fairness

Abstract

Organisations depend on employees as crucial resources to execute duties aimed at realisation of organisational objectives. Organisational justice has been found to be a major predictor of employees' performance and wellbeing. Studies found that employees tend to view justice in a different manner and that majority of employees tend to enjoy their work when they perceive that organisational justice exist within their organisation. The objective of this study was to examine the academic employees' perceptions of organisational justice at a selected higher learning institution.

A descriptive quantitative research approach was adopted in this study. A structured questionnaire developed by Colquitt (2001) was used to collect data from a convenient sample of 50 academic employees. The questionnaire consists of 20 items measuring three dimensions of organisational justice (procedural justice, distributive justice, and interactional justice) rated on a 7-point Likert scale. The collected data was analysed using the Statistical Package for the Social Sciences (SPSS) 26.0 published by the International Business Machines (IBM).

The research findings revealed that in general, a slight majority of the respondents perceived some form of organisational justice to exist within their organisation (mean of 4.64). Although similar results were found in terms of the three dimensions of perceived organisational justice (4.19 for procedural justice, 5.14 for distributive justice and 4.78 for interactional justice), some form of injustice was reported to exist in relation to procedural justice. The study recommends that future researchers should continue to explore all the prospects of organisational justice in higher institutions of education.

Introduction and background

Organisations depend on employees as crucial resources to execute duties aimed at realisation of organisational objectives. Organisational justice has been found to be a major predictor of employees' performance and wellbeing (Ledimo, 2015). Organisational justice refers to the "just and fair manner in which organisations treat their employees", hence the terms "justice" and "fairness" tend to be used interchangeably (Eib, 2015:1).

Studies found that employees tend to view justice in a different manner and that majority of employees tend to enjoy their work when they perceive that organisational justice exist within their organisation (Fernandes and Awamleh, 2006). Most studies conducted on the construct organisational justice indicate that it has an impact on organisational outcomes such as employee motivation, commitment, satisfaction, talent attraction and retention, employee and organisational performance, leadership, diversity management and ethical behaviour (Ledimo, 2015).

Wolfe, Rojek, Manjarrez and Rojek (2018) asserted that employees' perceptions of organisational justice could prevent counterproductive behaviour of employees, meaning that organisational justice could influence the behaviour and attitudes of employees. It can therefore be inferred that employees' perceptions of justice may result in employees' engagement in desirable behaviour, while perceptions of injustice may result in employees' engagement in undesirable behaviour.

Moreover, Gracia, Torress, Valázquez, Muñoz and Naranjo (2015) emphasised that one of the major roles that organisational justice plays in an organisation include facilitating organisational change and keeping the organisation as a unit. Baldwin, (2016) indicated that any organisational change in any organisation can be seen as intimidating by employees and therefore, careful application is needed to

overcome feelings of distrust and loss of sanctuary. Research showed that employees' perceptions of organisational justice is one of the important areas that human resource professionals should consider in an attempt to fulfil both organisational and employees' desires (Coetzee, 2005).

Problem statement

Organisational justice is crucial in any organisation for the purposes of keeping well-skilled and well-experienced employees, however, it appears that many organisations including institutions of higher learning in South Africa have not mastered the concept of organisational justice as they continue to give the same treatment they perceive as fair to their employees (Colquitt, 2012).

Baldwin (2016) pointed out that organisational justice seems not to be practiced in many organisations and this results in leads to high employment turnover and less job satisfaction among employees. Garcia et al. (2015) asserted that many organisations are losing their most skilled and well-experienced employees as a result of employees' perceptions of injustices. This is supported by Colquitt (2001) by mentioning that many organisations are taken to court because of failure to practice fair procedures, follow the set rules and procedures as well as failing to adhere to policies. All these naturally lead to employees' perceptions of injustices in the organisation.

Therefore, the purpose of this study was to examine the academic employees' perceptions of organisational justice at a selected higher learning institution. The main question guiding the study was: what are the academic employees' perceptions of overall organisational justice and their perceptions of the organisational justice dimensions (distributive, procedural and interactional justice)?

Literature review

Theoretical background

The term organisational justice was invented by French (1964) to describe employees' perceptions of fairness in organisations (Karriker and Williams, 2009). Specifically, organisational justice is concerned with the ways in which employees determine if they have been treated fairly in their jobs and the ways in which those determinations influence other work-related variables (Johan, 2013).

O'Neill and Hastings (2011) mentioned that organisational justice can be classified into two, namely, interactional justice and organisational justice. Interactional justice comprises of interpersonal justice and informational justice, while organisational justice comprises of distributive justice and procedural justice. However, various authors agree that organisational justice is based on three key components, which are used to evaluate fairness, namely, distributive, procedural and interactional justice (Greenberg, 1990; Restubog, Garcia, Toledano, Amarnani, Tolentino and Tang, 2011).

Distributive justice involves an individual's perceptions of fairness with regards to the distribution of resources and outcomes in the organisation (Greenberg, 1990; Williamson and Williams, 2011). Procedural justice refers to the perceived fairness of the organisational procedures used to make decisions relating to the outcome decisions (Coetzee, 2005; Fernandes and Awamleh, 2006; Williamson and Williams, 2011). Interpersonal justice as one aspect of interactional justice represents the extent to which managers and supervisors treat people with dignity and respect while informational justice clearly explains the reasons for their decisions (O'Neill and Hastings, 2011; Xie and Dai, 2016; Vakili, Safarnia and Millahosseini, 2014).

Coetzee (2005) argued that organisations are composed of human beings who can be regarded as social beings, meaning that it is important organisations to create settings in which employees are able to interact socially. One aspect that is considered important in human social interaction is justice (Coetzee, 2005). Therefore, for the purpose of this study, Social Exchange Theory and Equity Theory were perceived as being appropriate in explaining perceptions of organisational justice or injustice.

Social Exchange Theory

Social exchange theory is regarded as one of the most important theories for understanding behaviour of employees in the workplace (Cropanzano and Mitchell, 2005). The social exchange theory is based on four premises as outlined below:

"Exchange interactions result in economic and/or social outcomes;"

"These outcomes are compared over time to other exchange alternatives to determine dependence on the exchange relationship;"

“Positive outcomes over times increase organisations’ trust of their trading partner(s) and their commitment to the exchange relationship;”

“Positive exchange interactions over time produce relational exchange norms that govern the exchange relationship” (Lambe, Wittmann and Spekman (2001: 6)

This means that economic and socio-emotional resources are two types of resources in exchange which could exist in an organisation. The two parties in the exchange relationship may compare the social and economic outcomes of their interactions on a continuous basis, and positive economic and social outcomes may increase the parties’ trust of each other and commitment to sustaining the exchange relationship while negative economic and social outcomes may put a strain on the exchange relationship (Lambe et al., 2001). This suggests that in the economic and social exchange between employees and the organisation, employees may weigh the costs and benefits they are receiving for their hard labour, and the norms of reciprocity will determine their perceptions in terms of whether organisational justice or injustice prevails (Palmer, Komarraju, Carter and Karau, 2017).

Equity Theory (EqT)

Adams’ (1963) equity theory provides a useful understanding into the importance of perceptions of fairness in the workplace (Ryan, 2016). According to Hatfield, Walster and Berscheid (1978), equity theory is based on the four propositions outlined below:

People seek to maximise pleasure and minimise pain, making them to be concerned with the rewards and punishments they receive in social relationships.

Society tends to persuade people to behave fairly and equitably, resulting in rewarding those who treat others equitably and punish those who treat others inequitably.

People are most comfortable when they perceive that they are approximately receiving what they deserve from life, love, and work.

In inequitable relationships, people tend to reduce their distress by either restoring psychological or actual equity, or by abandoning the relationship.

Griffin, Phillips, and Gully (2016) indicate that in the working environment, the equity theory focuses on the social comparison’s employees tend to make between their inputs and the outputs they receive as well as the inputs and outputs of their comparison-others, and these comparisons form basis of their perceptions in terms of whether there is equity or inequity. The inputs that employees could consider include amongst others their performance, loyalty, commitment, skills, seniority, personal sacrifice, and the degree of responsibility; while outputs include financial rewards, benefits, praise, recognition, promotion opportunities, conducive work environment and a sense of achievement (Robbins, Judge, Odendaal and Roodt, 2014).

When employees perceive that there is dissimilarity in the relationship between their inputs and outputs with their comparison-other’s inputs and outputs, they would experience feelings of inequity (Griffin et al. 2016). In line with the equity theory, employees who perceive dissimilarities in relative to their inputs are more likely to view that as being unfair or unjust – thus, there is no organisational justice. (Bourdage, Goupal, Neilson, Lukacik and Lee, 2018)

As previous research revealed that organisational justice is comprised of different dimensions (Greenberg, 1990; O’Neill and Hastings, 2011; Restubog et al., 2011), Colquitt (2012) asserted that in order to understand how organisational justice can influence employees’ attitudes and behaviours, it should be treated as a multi-dimensional construct or by aggregating distributive, procedural, interpersonal, and informational justice. Therefore, it is imperative to focus on how the two theories assist in explaining each dimension of organisational justice.

Distributive justice is based on the reciprocity principles of social exchange theory and the principles of equity theory as employees tend to assess the equity of outcome allocation in order to establish whether there is fairness or justice in terms of the outcomes they are receiving in relative to their inputs. The outcomes could be in a form of salaries, benefits, promotion as well as career advancement opportunities; while inputs include employees’ educational qualifications, skills, abilities, and efforts (Trevor, 2009). Ledimo (2015) added outcomes such as allocation office space, budgets, computers, telephones, or company cars to enable employees to achieve organisational goals.

Procedural justice is concerned with the benefits of accuracy and the costs of adjudication, and not solely costs and benefits (Colquitt, 2001). In line with the social exchange theory with regards to the importance of creating an environment that will enable employees to interact socially, procedural justice is deeply entwined with the powerful idea that a process that guarantees rights of meaningful participation is an essential prerequisite for the legitimate authority of action-guiding legal norms (Cropanzano and Molina, 2015). Trevor (2009) indicated that employees' perceptions of procedural fairness can be enhanced when employees are provided with the opportunity to voice out their concerns before taking any decision in the organisation that could affect them.

According to Kılıç, Bostan and Grabowski (2015), interactional justice is characterised by the sensitivity, politeness and respect employees receive from their superiors during procedures; this serves primarily to alter reactions to outcomes because sensitivity can make employees feel better even if the outcome is unfavourable. This implies that justice and fairness based on interactional justice are primarily related to how one person treats another in the work context. This may be relationships between employees and their managers or among themselves as colleagues (Ledimo, 2015).

Therefore, in line with social exchange theory, when employees perceive unfairness in relative to the socio-emotional outcomes they receive, they are more likely to perceive prevalence of organisational injustice (Lambe et al., 2001; Palmer et al., 2017). Similarly, in line with the equity theory, when employees perceive inequity in the treatment, they receive in relative to comparison other, they will have perceptions of organisational injustice or unfairness (Bourdage et al., 2018).

Restubog et al. (2011) indicated that in line with the social exchange theory and equity theory principles of reciprocity, when employees sense some form of unfairness from the organisation, supervisors, or co-workers, they may engage in negative behaviours, including withdrawal behaviour, lateness, intentional misuse of work time, harassment, and turnover intentions. However, social exchange quality, which involves a leader and a subordinate relationship, results in perceptions of organisational justice (Karam, Hu, Davison, Juravich, Nahrgang, Humphrey and DeRue, 2019).

Empirical research findings

Previous studies conducted on organisational justice revealed that positive relationships exist between organisational justice and the following variables; organisational trust (Kernan and Hanges, 2002; Aboagye, 2015; Oh, 2018), job satisfaction (Bryman, 2012; Banks, Patel and Moola, 2012; Tahayneh, 2014), employee engagement (Al-Zu'bi, 2010; Kravina et al, 2014), organisational commitment (Jameel, Mahmood and Jwmaa, 2020), deviant behaviour (Hagedoorn, Buunk and Van de Vliert, 1998; Jaakson, Vadia, Baumane-Vitolina and Sumilo, 2017; Hany, Hassan and Badran, 2020) and employee productivity (Ahmadi, Ziaei and Sheikhi, 2011; Banks, Patel, and Moola, 2012; Aboagye, 2015).

Jaakson et al. (2017) emphasised the importance of enhancing organisational justice at the workplace in an attempt to reduce employees' negative behaviours. Their research discovered that when employees perceived some form of injustices at their workplace, they are more likely to engage in deviant behaviours such as theft, deception, concealment, and sabotage (Jaakson et al, 2017). Hagedoorn et al. (1998) found that employees are likely to leave the organisation, report sick while not sick and put little effort at work when they perceived organisational injustices.

Not much research seemed to have been conducted in the higher education organisations, especially in South Africa (Bell and Barkhuizen, 2011). However, Aboagye (2015) indicated that in the education setting, perception of distributive inequality among academic staff is disconcerting and leads to negative feelings of anger among employees. The forms of inequality found to exist were in relation to amongst others, staff promotions, high grade delegations and other awarding systems (Aboagye, 2015).

A study conducted by Aslam, Shakir and Bugti (2020) among academic employees at public universities of Punjab found that academic employees tend to engage in negative behaviour when they perceived that their working environment is unjust. It was suggested that creating a supportive work environment based on principles of fairness or justice may assist to avoid negative emotions and deviant behaviours among employees (Aslam et al., 2020).

Research discovered that higher education in Asia is influenced by globalization, resulting in two types of structural inequality, namely; where differences of institutions and nations will be larger due to different types of power that global linking institutions and nations possess in higher education (Yang

and Chia Nan, 2017) and where the stratification among higher education institutions in a nation will also be larger, leading to universities favoured by national governments possessing many more resources than those not chosen (Ahmadi, Ziaei, and Sheikhi, 2011). Aboagye (2015) indicated that this inequality causes feeling of guilt and dissatisfaction in employees.

It is therefore reasonable for educational institutions to distribute awards, remunerations, benefits, job assignment and delegations fairly among employees or academic staffs as it may affect staff performance positively (Cohen-Charash and Spector, 2001). Karriker and Williams (2009) affirm that an improvement in the perception of justice among employees increases performance. On the other hand, an unfair treatment may lead to job negligence, organisational incompatibility and staff resistance to decisions and applications (Cohen-Charash and Spector, 2001; Karriker and Williams, 2009; Yang and Chia Nan, 2017). It is apparent that the negative outcomes of perceptions of injustice among academic employees may have negative detrimental effects on students (Powell, 2010). Therefore, any action aimed at enhancing employees' perceptions of organisational justice in any higher education institution is of utmost importance.

Research methodology

Research design

A quantitative research design was adopted in this study as it enabled the researchers to gather numerical data and generalising it across groups of people to explain a phenomenon under study (Babbie, 2010). This study is a quantitative study because structured questions were used to collect data on the academic employees' perceptions of organisational justice (Bryman, 2012). The current study is also descriptive in nature as were made to describe in detail academic employees' perceptions of organisational justice (Kumar, 2011).

Population and sampling

At that point, the population of this study comprised of 59 academic employees from one school at a selected university. A non-probability sampling strategy, in a form of convenience sampling was used to draw the sample. A convenience sampling method which involves a method through which the researcher selects a sample based on the participants' willingness and availability to participate in the study (Bryman, 2012). At the end, a convenience sample of 50 (84.7% of the population) participated in this study.

Majority of 66% (n=33) of the respondents were males while 34% (n=17) were females. Majority of the respondents were between 41-50 years (38%, n=19), followed by 36% (n=18) who were between 31-40 years, then 16% (8) at the age of 51 and above, and lastly 10% (n=5) were between 21-30 years. Majority of 92% (n=46) had postgraduate qualifications while 8% (n=4) had undergraduate qualifications. Majority of 40% (n=20) of the respondents have been working at the institution for 1-5 years, 34% (n=17) for a period of 5-10 years, 14% (7) for more than five years and 12% (n=6) for less than a year.

Data collection

The ethical clearance was obtained from the institution before data collection. Structured questionnaires were used to collect data. O'Neil and Adya (2009) emphasised that questionnaires are useful in obtaining large amounts of information from a large number of people in a short period of time and in a relatively cost-effective way. Questionnaires were distributed in the participants' offices at their most convenient time and collection of completed questions occurred on the date agreed upon.

The questionnaire consisted of two sections; Section A consisted of five demographic questions aimed at collecting information in order to describe the participants. Section B was comprised of 20 questions measuring organisational justice on a 7-point scale. Organisational Justice Scale is a valid and reliable scale developed by Colquitt (2001), reporting a reliability of 0.815.

Data analysis

Data was analysed using the Statistical Package for the Social Sciences (SPSS) 25.0 published by International Business Machines (IBM). The data was coded and captured in a way that allowed interpretation and analysis. Descriptive statistics was used make sense of both demographic information

and responses relating to organisational justice. Data was presented in the form of frequency tables, graphs, and charts.

Results

Reliability of Organisational Justice Scale

The reliability of the organisational justice scale and its dimensions were computed. Uma and Roger (2016) stated that the reliability of the measure is established by testing the consistency and stability of a measure. In this study, reliability was checked through Cronbach Alpha, a reliability coefficient that indicates how well the items in a set positively correlate to one another. The closer the Cronbach Alpha is to 1, the higher the internal consistency reliability, reliabilities with less than 0.60 indicate poor consistency while those with 0.70-0.80 are deemed as being acceptable and those above 0.80 are considered as very excellent (Uma and Roger, 2016). The organisational justice scale and its dimensions yielded good reliabilities with 0.815 for overall organisational scale, 0.82 for distributive justice, 0.797 for procedural justice and 0.845 for interactional justice were found. Table 1 depicts the reliabilities of organisational justice scale and its dimensions.

Table 1: Reliabilities of organisational justice scale and its dimensions

Reliability Statistics	
Overall Organisational Justice	
Cronbach's Alpha	N of Items
.815	20
Distributive Justice	
Cronbach's Alpha	N of Items
.820	4
Procedural Justice	
Cronbach's Alpha	N of Items
.797	7
Interactional Justice	
Cronbach's Alpha	N of Items
.845	9

Descriptive statistics results

In presenting and interpreting the results on employees' perceptions of organisational justice, the focus will be on each sub-scale. It should be noted that for the purpose of this study, each item with a mean of above 4 is considered as being perceived positively (justice prevails), and each item with a mean of below 4, is considered as being perceived negatively (injustice prevails).

Overall Organisational Justice

Table 2 displays employees' overall responses, and academic employees reported positive perceptions of overall organisational justice as 17 of the 20 items used have a mean of above 4, with an overall mean of 4.64. Therefore, it can be concluded that the academic employees perceived the university's practices relating to overall organisational justice positively.

Table 2: Organisational justice descriptive statistics

	N	Mean	Std. Dev.
Have you been able to express your views and feelings during those procedures?	50	3.98	1.478
Have you had influence over the outcomes arrived at by those procedures?	50	3.92	1.482
Have those procedures been applied consistently?	50	4.62	1.193
Have those procedures been free of bias?	50	4.06	1.252
Have those procedures been based on accurate information?	50	4.30	1.093
Have you been able to appeal the outcomes arrived at by those procedures?	50	3.96	1.212
Have those procedures upheld ethical and moral standards?	50	4.54	1.265
Do your outcomes reflect the effort you have put into your work?	50	5.26	1.382

Are your outcomes appropriate for the work you have completed?	50	5.18	1.137
Do your outcomes reflect what you have contributed to the organisation?	50	5.12	1.100
Are your outcomes justified, given your performance?	50	4.98	1.270
Has he/she treated you in a polite manner?	50	5.02	1.464
Has he/she treated you with dignity?	50	5.22	1.217
Has he/she treated you with respect?	50	5.04	1.142
Has he/she refrained from improper remarks or comments?	50	4.46	1.487
Has he/she been candid in his/her communications with you?	50	4.52	1.015
Has he/she explained the procedures used to make job decisions thoroughly?	50	4.96	1.160
Were his/her explanations regarding the procedure used to make job decisions reasonable?	50	4.66	1.239
Has he/she communicated details in a timely manner?	50	4.66	1.255
Has he/she seemed to tailor his/her communications to individuals' specific needs?	50	4.48	1.165
Valid N (listwise)	50		

Procedural Justice

Items 1-7 measured procedural justice and the participants' overall results showed a mean of 4.19, which is slightly above 4. Therefore, academic employees' perception in relation to overall procedural justice at the university is to a certain degree positive.

Distributive Justice

Distributive justice was measured by items 8-11 and the participants' overall results showed a mean of 5.14, which is considerably above 4. Therefore, the results revealed that academic employees perceived that there is fairness when it comes to the distribution of resources and actual outcomes they receive for their efforts.

Interactional Justice

Items 12-20 measured interactional justice and the respondents' overall results yielded a mean of 4.78, which is slightly above 4. This implies that academic employees perceived their immediate supervisor's ability to communicate and provide information in a positive way.

Significance and limitations of the study

The primary contribution of the study is that it contributes to the body of knowledge relating to organisational justice. As there seems to be limited research conducted on organisational justice in higher education institutions in the South African context, this study managed to address such a gap. However, there were some limitations that are worth mentioning.

Firstly, the sample size used in this study was not large considering the number of academic employees at the selected school, which prevent generalisation of the research findings. It is recommended that future research on organisational justice in higher education institutions focusses on a larger sample, and possible considers a comparison between public and private higher education institutions.

Secondly, overreliance on self-reported measures have subjected to the source of error, whereby participants answer questions based on what they perceive as a socially desired. It is therefore recommended for future research to use different research methods, either qualitative or mixed methods in order to gain more insights with regards to organisational justice in higher education institutions.

Conclusion

This study sought to measure the perceptions of academic employees towards organisational justice at a selected university. The findings from showed that majority of employees perceived that in general, organisational justice prevails within their organisation. However, it is worth noting that three of the seven items used to measure procedural justice were perceived in a negative way. Academic employees perceived that they are not provided with the opportunity to express their views and feelings about procedures, they have no influence over the outcomes arrived at and they are not provided with the opportunity to appeal should the outcomes arrived at by procedures are not perceived as being fair.

It is therefore recommended for the institution to provide a platform for employees to express their views when decisions are made, especially those who could be affected as well as to appeal in case there are disagreements in terms of decisions made. The management should create an environment where clear communication channels about the procedures to be followed are in place.

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Preliminary review of abstracts on a handbook on the future of work and entrepreneurship for the underserved

JoAnn Rolle

School of Business

Medgar Evers College, City University of New York, USA

Jacqueline Kisato

Kenyatta University, Nairobi, Kenya

Charles Kebaya

Machakos University, Kenya

Keyword

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Abstract

Scholars have declared that underserved communities will face the greatest marginalization due to disruptions in the 21st century. In our previous research engagements, we developed papers and presentations on 'The Future of Work and Entrepreneurship for the Underserved' and we shared data and our concerns for global income disparities and the need for a global perspective in this discourse.

Purpose of Research- In this paper, we present a global snapshot regarding the future of work and entrepreneurship for the underserved and various perspectives from different authors on what these new changes predict for the underserved in the world.

Design/ Methodology: After reviewing literature and determining key themes imperative to this topic, we put up a call for chapters that attracted diverse authors in academia and industry across the world representing different geographical regions including the USA, South America, Asia, and Africa. The abstracts were peer-reviewed and analyzed to identify commonalities and key areas of focus among the underserved communities worldwide.

Results/Findings: The submitted abstracts found aligned with themes in education, technology and innovation, small business development, and diverse labor markets to the future of work and entrepreneurship for the underserved. They also explored other areas such as increasing utilization of labor in the unscaled economy through creativity and the use of emerging innovations and technologies. Additionally, the COVID 19 pandemic phenomenon was highlighted as a challenge that has exacerbated the need to address the future of work and entrepreneurship post-COVID.

Practical Implications and Conclusions: We propose that unity in community and capacity building is vital to create shared prosperity. In this paper, we will share a summary of the chapters which will be included in the forthcoming handbook and perspectives on what the future of work and entrepreneurship will evolve into the new normal. We hope that this analysis will create further dialogue in academia, industry, and policy on how to ensure that the underserved are included in the future of work and entrepreneurship.

Introduction

A recent New York Times article by Thomas L. Friedman titled, "After the Pandemic, a Revolution in Education and Work Awaits", is an eye opener to the growing and widening income inequality and clearly demonstrates the need for a paradigm shift from preparing job seekers to preparing job creators, and advocacy for technology as a transformer of work culture from the bottom of the social pyramid up (Friedman, 2020). Friedman avers.

The reason the post-pandemic era will be so destructive, and creative is that never have more people had access to so many cheap tools of innovation, never have more people had access to high-powered, inexpensive computing, never have more people had access to such cheap credit – virtually free money – to invent new products and services, all as so many big health, social, environmental, and economic problems need solving.

While we believe education is a necessary ingredient for the transformation of the future of work and entrepreneurship, but it is not sufficient. Key aspects to the future of work include the ability to rapidly skill and up-skill global diverse laborforce as proposed by scholars around the world. It is through up-skilling, unlearning, and re-learning that the next set of employees and entrepreneurs will be ready to meet the new dispensation of work and entrepreneurship. Additionally, leveraging on innovative practices and technology in the “Unscaled” economy is essential for the development and growth of micro, small, and medium businesses (Rolle & Kisato, 2019, Gatewood & Sylvain, 2009), and inclusivity are vital to reducing the wage gap between the rich and the underserved globally (McKinsey, 2019, UN, 2020).

Literature Review

Many disruptions to the concept of work and new ways of living globally have been attributed to changes in technology. These disruptions have resulted in the development of different “ages”; from the Stone Age, Agrarian age, Industrial age, and now the technology age of the 21st century. The 4th Industrial Revolution (4IR) is marked by automation, digitization, artificial intelligence, and augmented realities (Rolle & Kisato, 2019; Taneja & Maney, 2018; Galindo and Mendez, 2014).

Scholars and pundits alike declare that the workforce in the 4IR will be more agile, diverse, and creative with the focus on producing bespoke products and services for a highly differentiated marketplace. Rolle & Kisato (2019) further point out the disparity between the rich and the poor will become a growing concern, and entrepreneurship for underserved communities will be salient to various discourses the world over. These discussions in academia, industry, and political spheres led these authors to develop papers and presentations on “The Future of Work and Entrepreneurship of the Underserved and shared data and their concern for global income disparity (Rolle & Kisato, 2019).

The critical questions, however, remain: will underserved communities participate in the emergent disruptions on the workforce and entrepreneurial practices? What new dynamics are required to ensure that underserved groups are ready for the future of work and entrepreneurship? Are there any case studies or models of successful integration for the underserved in a tech-centric world of work and entrepreneurship?

Purpose of Research

It has been noted that often, the underserved are not included in discussions on the future of work and entrepreneurship since a lot of these disruptive innovations take place in developed economies, with developing economies always playing catch up. The purpose of this paper is to expand the geographical reach of these discussions by presenting a snapshot of key areas of focus by authors from various regions globally, who are contributing to an edited handbook on the underserved and how the future of work and entrepreneurship will be transformed for this demography.

This paper seeks to answer 3 key research questions based on the responses from the abstracts received for this edited handbook:

What are the key themes in discourses on the future of work and entrepreneurship for the underserved globally?

How is technology and innovation transforming the future of work and entrepreneurship for underserved communities globally?

What recommendations for academia, practitioners and policy makers will these insights provide for the discourse on the future of work and entrepreneurship globally?

Design/ Methodology

We made a call for abstracts and the authors were encouraged to use multiple approaches such as empirical, mixed, and case study to their research to ensure that the conclusions attained were grounded on the valid and verifiable evidence-based analysis. To further enhance scientific inquiry, the authors were advised to employ procedures and methods that were systematic and scientifically sound. The authors submitted abstracts on various topics that were peer-reviewed to reduce bias and ensure that scientific rigor was achieved in their methodologies.

To maintain and ensure robustness in thematic areas, we critically reviewed literature and proposed various key perspectives that are relevant, appropriate, and justifiable for the future of work and entrepreneurship globally. Content analysis was employed to summarize the key thematic areas of the abstracts. To increase reliability in the thematic categorization, the abstracts were reviewed independently by three authors, and the themes correlated to increase inter-coder reliability. These abstracts were summarized in main thematic areas and descriptive statistics were used to evaluate the geographical representation and thematic submissions from various authors. In this paper, we present an analysis of the abstracts from various authors who responded to the call for abstracts and propose recommendations for the future of work discourse.

Results/Findings

The data were analyzed descriptively to determine the geographical representation of authors and the key thematic areas submitted in the call for abstracts. These data are summarized below based on the geographical representation of authors and the key thematic areas for various abstracts that were submitted for the handbook.

Geographical Representation of the Authors

The call for abstracts was made to a global audience of scholars and authors by the CBER. The data revealed that the majority of the contributors were scholars and industry practitioners from the USA (39.1%), followed by Africa and South America with 21.7% each and Asia (17.4%); where (N=23). Although there was no contribution from Europe, this demographic representation was considered a representative sample of scholars and practitioners representing underserved regions globally. Our contributors wrote from the perspective of countries in the US, Kenya, India, Pakistan, Chile, Philippines, Bangladesh, Japan, Viet Nam, Nigeria, and Mexico.

Key thematic Areas

To key thematic areas, the data revealed that the majority of the authors presented abstracts inclined to themes in small businesses and entrepreneurship (34.8%) and what the future of work means for underserved communities in this sector. Concerning the diversity of the labor markets and education, the authors' representation in these themes was 26.1% and 21.7% respectively. Abstracts presented on technology and innovation concerning the future of work was represented by 17.4% of the respondents to the call; where (N=23). Although the respondents were more inclined to small business, there was a common thread on how each of the various sectors leveraged technology and innovation to enhance performance or outcomes. This finding was aligned with the main theme of the handbook on the future of work and technology.

Discussions and conclusions

Content Analysis of Thematic Contributions from the Authors

Various authors have posited that there are key drivers of inclusivity for the underserved in the Future of work and entrepreneurship globally (Rolle & Kisato, 2019; Gatewood and Sylvain, 2009; UN, 2020). The Handbook, therefore, will be compiled in the following Chapter sub-sections: Section 1- Education: Section 2- Technology and Innovation: Section 3- Small Business Development: Section 4- Diversity of Labor Market and Section 5- Summary and Recommendations.

Section 1 – Education and the Changing Dynamics for the Underserved

Technological growth has exponentially increased in the 21st century. As the revolution comes to education and work, how will we prepare from the bottom up? Various authors have proposed new learning models that are imperative to propel this shift (Rolle, Billy, Kisato, Acevedo, and Zarbabal, 2017; Friedman, 2020). Friedman's article in the New York Times, for instance, cites an on-going shift in skills acquisition and what will become an ever-increasing demand to "learn how to learn" – framed as "radical re-skilling" or "just-in-case-learning" (Friedman, 2020). He further posits that we will finally be in the age of what you know matters more than who you know or more importantly for the global poor, where you come from. Additionally, Friedman cites evidence where academics and corporate partners are creating modular learning ecosystems that are independent of traditional educational constraints or boundaries.

This concept is supported by numerous scholars globally who emphasized experiential learning and bespoke learning models that will cater to a different student and industry needs.

Although this seems to be a new model, there is little evidence that the purpose to explore education for underserved communities globally aligns them with the future of work and entrepreneurship in the 21st century. This gap in literature becomes a rich ground for academic discourse; thus, reinforce the justification for emphasis on education as a key driver in the Handbook.

Our various scholars start the dialogue on education with a challenge to the academy from the prism of community capacity building and digitalization as a change agent for economic development through entrepreneurial education. The chapter continues with a mixed approach to creating the next generation of entrepreneurs. The chapter addresses challenges for families in extreme poverty and posits ideas for innovation in education and economic prosperity. To address the nexus between education and demand for labor, both macro and micro impacts of Chile's declining mining industry on the demand for labor and the need for rapid adaptation of technology and education is postulated to transform the economy.

The authors discuss technologies used to support student learning in the mining and oil refining processes.

The subsequent chapter explores options for creating the next generation of entrepreneurs in Nigeria for industrial and national growth. The cross-sectional study findings indicated that the entrepreneurial mindset in Nigeria is low due to the opportunity cost of working in white-collar jobs in the public sector. Based on this finding, the authors recommend that entrepreneurial teachings must go beyond traditional teachings in the classroom.

Learning, unlearning, and re-learning have been proposed as the new model for future student in the 4IR. The next chapter amplifies continuing education, business ideas, innovation, and economic prosperity for heads of households in Southeast Asia. The author explores the historical trends of self-owned startup businesses in rural communities. Issues addressed are the use of technology; skills needed for business; and opportunities for education, training, and financial support to sustain family businesses.

From the various contributions, it is evident that various scholars indeed declare that the current model of education might not serve in the new dispensation, and scholars, industry players, entrepreneurs, and students must engage in this discourse and re-imagine the new learning needs.

Section 2 - Technology & innovation for the future of work and entrepreneurship

The 21st century is characterized by technological disruptions and it is foolhardy to discuss this era without appreciating the role of technology and innovation (Rolle and Kisato, 2019; Galindoa and Mendez, 2014; Daugherty and Wilson, 2018; & Taneja and Maney, 2018). In the abstract submissions for the handbook, various authors present their insights and findings on what technological changes and innovations will portend for the future of work and entrepreneurship for the underserved.

We present two chapters on "Africa and the Disruptive Age: A discourse of work and entrepreneurship in tumultuous times." In the chapter, "Leveraging Technology and Innovation amidst and post Covid-19 Pandemic to the New Normal" in East Africa the authors reinforce the demand and need for computer-aided and related skills. They predict that the rate of technology and innovation change will produce new products and services in the East African region. They also posit that a "New Normal" will require a change in policy frameworks and regulations to sustain new product development and growth.

The chapter reviews contemporary policy frameworks in the East African States that are foundational technology leverages.

The chapter recommends the need to leverage technology and innovation in a COVID-19 pandemic to "New normal."

From a different prism, another group of authors posits that technology is disrupting the creative industries and entrepreneurial ventures in underserved communities in Africa. The authors cite the diversity of culture, language, and ecology that serves to enhance and sustain multiple creative economies. The authors further indicate that while many industries shrunk during COVID-19, creative industries in Africa experienced growth. The chapter cites actual case studies of successful creative

industries which adapted a paradigm shift in transforming talent to an enterprise. The authors concur with others that the creative industry will be the next phase of economic growth in Africa.

“Emerging trends of Entrepreneurship and work in Asia and Central America,” is a case study of a technology start-up, ability to predict consumer market behavior using advanced technologies. The company’s backbone is AI Technologies and Machine Intelligence that predict human behaviors and trends. The case study cited is based in Vietnam and demonstrates how technology delivers predictions and analytics to capture market segment growth. The chapter further shows how community and capacity building is executed with entrepreneurial opportunities to the underserved via a kiosk, low capital investment business model strategy.

The final chapter in this section, “Relationally Intelligent, Transcultural Automation and Innovation: A Learning-centric Strategy for Entrepreneurial Excellence in Underserved businesses” addresses income disparities in the US. The authors propose a trust-based relational intelligence model. Place-making, entrepreneurial ecosystem development and innovation district formations are reviewed. The findings will support cultural-specific policy approaches to innovation and establish practices for regional collaboration, technology adoption for skill transformation, and job creation.

Section 3 - Small business development in underserved communities

Small business and development have long been heralded as the economic engine of most developing economies, however, the underserved communities in Africa, Asia, and the Americas are sometimes overlooked, further exacerbating the wealth gaps (DeGhetto and Kiggundu, 2016; Rolle and Kisato 2019; McKinsey, 2019). In this section, we present a diverse group of topics ranging from the transformation of urban slums to developing rural areas – both leveraging entrepreneurs. The first chapter is on bootstrapping strategies that transform urban slums.

The author cites several multi-year experiences transforming communities by engaging the entrepreneurial spirits of the poor. Successful cases in Argentina, Panama, and Mexico are presented demonstrating innovative methods of leveraging social capital, bootstrapping slum economies into successful neighborhoods.

In the subsequent chapter, "Development of Entrepreneurship: A Case of Rural Lakshmipur," the author states that much of the entrepreneurship activity is located in urban areas, while there is a need for increased investment in rural-based economies such as Bangladesh. The authors use focus groups, surveys, and interviews to analyze rural entrepreneurial potential. The authors contend that there were both demand and supply-side reasons for the lack of entrepreneurial activity.

Bangladesh and youth entrepreneur startups are the topic of the next chapter. The authors discuss the factors that determine a career path of work or entrepreneurship in the context of COVID-19. The authors address the career readiness for youth regarding the challenges of a complex post-pandemic business environment. The authors, however, share observations on how COVID-19 shifts specific youth startup case studies in Bangladesh.

“Implementation of the comprehensive entrepreneurship model for the internationalization of eco-efficient companies,” seeks to develop an integrated model of entrepreneurship in a new model of companies.

The body of work reviews and analyzes technology based on entrepreneurship and develops a strategy that adapts to companies with an ecological basis for internationalization.

In “The Role of MSME in India: A Multiple Case Study Approach,” the authors study the role of micro small and medium (MSME) in India. The study uses a multiple-case design of five MSME Indian companies. The results indicate that sustainable solutions exist and that the MSMEs are performing well. In conclusion, the authors provide a set of strategies adopted by the five MSMEs.

The former CEO of Solutions Learning shares his experience as a minority entrepreneur in the US. He observes that many minority entrepreneurs are self-funded and notes that access to opportunity rather than access to capital was the missing link in business success. Access to capital becomes an issue only when there is a need or demand to scale. Eventually, the author shares critical insights for entrepreneurs to live by.

There are two chapters on financing in the Handbook, “Financing small businesses in underserved communities efficiently during a crisis: lessons from the cold-19 pandemic in Kenya” and Inclusive

Capital: Blueprint for US Economic Resurgence. The first refers to underserved communities as the informal sector in the Kenyan economy and posits that it was the worst hit by the COVID-19 pandemic. Both private and public interventions were made to help and support the sector. The study analyzes and documents the effectiveness of the interventions advanced to small businesses in the sector and shows the essence of financial support to small businesses in the advent of future crises. The next chapter explores the role, impact, and potential of underserved businesses in the US economy. The authors cite widening disparities and suggest lessons learned, discuss inclusion in the context of venture financing, make program and policy recommendations.

“Access & Impact: Combining community-first and digital methods for entrepreneurial education” is a case study of the Citizen Entrepreneur Explorers Program. The program is based in a US community college over three semesters and resulted in increases in student empathy and entrepreneurial self-efficacy. The author examines how the study outcomes have activated diverse populations of students.

Section 4 - Diversity of labor markets: creating inclusivity for the underserved.

As the labor markets grow across the world, there is rising concern on whether diversity and inclusivity are incorporated by organizations globally (Rolle, Kisato, Rock and Winstanley, 2020; Ganesh, Memon, Kaushl and Kumar, 2018; OECD/European Union 2015). This section summarizes various insights from authors whose themes interlace the future of work with diversity in labor markets.

In “Beautypreneurs in India: Agency, Training, and Determinants of Success”, the authors cite gender bias as a factor for the lack of female entrepreneurs.

The authors indicate that the beauty and salon sector is forecast for significant growth and over 70,000 women have been recently trained on-line. The study analyzes the micro-entrepreneurial model among women in underserved communities in India and assesses how the training providers leverage technology to offer online training during COVID-19.

“Effect of COVID-19 pandemic on the performance of women-owned micro-enterprises in Kenya,” discusses the impact of lockdowns, curfews, and other public sector mandates on the professional and personal lives of women entrepreneurs. The authors argue that policy interventions favored larger ventures leaving small ventures with little support. Resource-based theory and real-options theory are used to explore options available for women-owned ventures. The preliminary findings indicate that the pandemic had a disproportionate impact on women-owned small businesses in Kenya, and indeed across the world.

“Female Immigrant Entrepreneurs: An Engine to the Inclusive Economic Development,” reviews literature on self-employment trends of female immigrants. Using the US IPUMS database, the author explores self-employed immigrant women’s human and social capital. The chapter addresses the gap in the literature and develops a case for researching female immigrant entrepreneurship.

“Immigrant Labor, Entrepreneurial education and the future workforce in India, Pakistan and Bangladesh,” cites the history, demographics, population, and economy of the region. The author cites the decline in rural areas and trends towards rapid urbanization.

The chapter discusses the challenges of seasonal migrants noting generational exploitation in the workplace.

The author mentions that Bangalore’s service and tech-based sector attracting skilled and professional talent from across the region. The study further discusses the problems of migrant workers and suggests several solutions.

“A qualitative study on perceptions of African Americans regarding Work from home benefits during COVID-19” discusses the historical difference between White and African Americans' perceptions related to job selection. The chapter attempts to mitigate barriers of social acceptance in the job selection criteria. The authors report the results of qualitative interviews from students in the job market working from home and its effects on the labor market.

“Workforce Diversity: Creating Profit and Employment Opportunities,” cites the trend of recruitment of a more diverse workforce. The chapter discusses corporate interest in workplace discrimination laws; willingness to promote diversity as a social good; and recognition that workforce diversity can impact the bottom line. The purpose of the Chapter is to review methods that workplace diversity can positively impact productivity, revenues, and profits.

In summary, inclusivity and diversity of the workforce are key ingredients in ensuring the future of work and entrepreneurship since each group brings diverse talents and ultimately creates shared prosperity for all.

Section 5- Summary and recommendations

While we do not choose deliberately to present all the chapters here, we do believe that there is enough of a sample to provide the reader with the grandeur of the handbook. Once we have compiled the complete body of work, we will synthesize and summarize what we believe will be a roadmap of methods, tools, strategies, and resources to support development, launch, and grow entrepreneurial ventures in underserved communities. We will also glean insights from various authors and suggest recommendations for policy and practice for different players in society.

Limitations and directions for research

We recommend that the future of work and entrepreneurship are developing discourses globally that need synergy from Academia, Industry, policy, and practitioners. We seek to use these diverse insights from different regions in proposing new pathways in the future of work and entrepreneurship especially for the underserved to achieve more inclusive and shared prosperity for all. We envision that the chapters submitted for the handbook will provide insights on the future of work and entrepreneurship for the underserved. They will provide answers to practical questions in the future of work and entrepreneurship as articulated in this paper and will go a long way in informing policy formulation and enhancing inclusivity for the underserved in the 4IR. We hope that we will create more research through these discussions that seek to enhance an inclusive, diverse, and prosperous future for all in the disruptive world of work and entrepreneurship of the future.

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The implications, applications, and benefits of emerging technologies in audit

Riley Carpenter

Dale McGregor

College of Accounting, University of Cape Town, South Africa

Keywords

Artificial intelligence, audit efficiency, audit quality, big data, machine learning, robotics

Abstract

Technological innovation has given rise to the possibility of implementing emerging technologies to potentially improve business operations. Audit firms, as businesses, could utilise emerging technologies to address several challenges the audit profession currently faces. This paper performs a qualitative analysis of prior literature concerning the potential implications and applications of the use of emerging technology in the audit process and the benefits audit firms can realise from using emerging technology. Using emerging audit technology in the audit process could automate many repetitive, mundane tasks and assist with performing analytical reviews on large datasets, thereby improving audit quality and efficiency. This paper adds value firstly by highlighting the potential for technological innovation within the audit process and how this innovation could supplement the traditional audit processes and procedures audit firms currently use and secondly, by incorporating emerging technologies into the audit process and highlighting key benefits that can be derived by shifting away from manual processes.

Introduction

Rationale for audit firms to implement emerging technology.

Over the past decade, the world has experienced an exponential increase in technological innovation. Building on the foundations created from digital systems developed during the Third Industrial Revolution, technological innovation in computing has allowed computers to manipulate and analyse data more timeously and effortlessly allowing emerging technologies (Hashimoto et al., 2018) to be used in many positive ways (Beata, 2018; Schwab, 2016; Veerankutty et al., 2018). These emerging technologies may improve the efficiency and effectiveness of operations when applied within a business context (Beata, 2018; Schwab, 2016; Veerankutty et al., 2018). As more businesses use increasingly sophisticated technology, auditors will need to adopt these emerging technologies not only to offer an assurance service in line with the expectations of their clients (Alles, 2015) but also to allow auditors to respond adequately to the risks associated with their clients using more complex technology (Alles, 2015; Appelbaum et al., 2017). Amid the pressures currently faced by the audit profession to improve the quality of its services (Botic, 2018; Harris, 2016) and reduce audit fees (Asthana et al., 2018) despite resource constraints (Persellin et al., 2019) and time constraints (Ferguson, 2016; Persellin et al., 2019), many audit firms have turned to emerging technologies to improve audit quality and efficiency (Harris, 2017). As such, this has prompted audit firms, particularly the 'Big 4' audit firms, to invest substantial resources into developing and implementing emerging technology in their audit processes (Deloitte, 2020; EY, 2020; KPMG, 2020; PwC, 2019).

Research question

This paper provides a detailed qualitative analysis for interrogating the following two research questions:

"Firstly, what are the implications and applications of emerging technologies such as artificial intelligence (AI) (including data analytics) and robotics process automation in the audit process? Secondly, how have these emerging technologies improved the overall audit effectiveness and efficiency?"

The scope restriction for emerging technology in the research questions is based on emerging technology most commonly covered in prior literature and mainstream media. Other emerging technologies may exist, but they have not been specifically considered in this paper.

Before answering the research question, several broad terms are first defined and where necessary, elaborated on, to provide the context within which these terms are used in the paper. The terms “artificial intelligence”, “robotic process automation” and “big data” are defined below.

Definitions

Artificial intelligence

The Institute of Electrical and Electronics Engineers Standards Association Corporate Advisory Group defines AI in the *IEEE Guide for Terms and Concepts in Intelligent Process Automation* (2017) as a mixture of cognitive automation, machine learning, reasoning, hypothesis generation and analysis, natural language processing, and intentional algorithm variations that produce comprehension and analysis equalling or surpassing the competence of humans.

AI allows computers to perform tasks that require human intelligence such as problem-solving, recognition of text, speech and images, reasoning and learning by equipping the computer with the ability to think like a human and adapt to their environment as necessary (Copeland, 2020).

AI can be categorised into four further sub-divisions consisting of machine learning, artificial neural networks, natural language processing and computer vision (Hashimoto et al., 2018).

Machine learning is defined in the *IEEE Guide for Terms and Concepts in Intelligent Process Automation* (2017:14) as:

“Detection, correlation, and pattern recognition generated through machine-based observation of human operation of software systems along with ongoing self-informing regression algorithms for machine-based determination of successful operation leading to useful predictive analytics or prescriptive analytics capability.”

By focusing on how machines learn from past patterns appearing in data, machine learning allows the machine to perform future tasks more efficiently and effectively (Alpaydin, 2016; Hashimoto et al., 2018).

Many other AI applications have been developed due to an artificial neural network’s ability to function like a human brain in receiving, processing, and responding to information (Deo, 2015; Hashimoto et al., 2018). Artificial neural networks therefore replicate the human brain in a computer.

Natural language processing allows computers to understand language, whether written or spoken. Natural language processing has been used in applications such as search engines (for example, Google), speech and document categorisers and virtual assistants such as Apple’s Siri (Quarteroni, 2018).

Computer vision equips computers with “human sight” and allows them to recognise and understand visual aids such as images and videos. Applications of computer vision include fingerprint recognition, motion capture, surveillance, optical character recognition and machine inspections (Szeliski, 2011).

Robotic process automation

The *IEEE Guide for Terms and Concepts in Intelligent Process Automation* (2017:11) defines robotic process automation as:

“A preconfigured software instance that uses business rules and predefined activity choreography to complete the autonomous execution of a combination of processes, activities, transactions, and tasks in one or more unrelated software systems to deliver a result or service with human exception management.”

Simply put, robotics process automation allows robots to perform tasks by following a set of rules (Moffitt et al., 2018).

Big data

“Big data” has no official definition (Favaretto et al., 2020; Gandomi & Haider, 2015) but most definitions tend to include any combination of three characteristics, namely volume, velocity and variety of information that require financially economical, innovative processing to provide increased understanding, the ability to make decisions and the automation of processes (Gartner, 2012).

Favaretto et al. (2020) elaborate on the concepts of volume, velocity, and variety. Although there is no common understanding of what is considered “big” for data by today’s standards, volume typically refers to the size of the dataset. Velocity refers to data that is created and processed at an exponential rate, while variety acknowledges that data may consist of financial and non-financial information (such as images and videos) derived from numerous sources such as social media and administrative platforms. Typically, the size of the dataset is considered the most important aspect of “big data” but Gandomi and Haider (2015) argue that all three characteristics hold equal prominence.

Definitions for “big data” from other reputable organisations and bodies are presented below and for the most part, have common characteristics:

“Large, diverse, complex, longitudinal, and/or distributed data sets generated from instruments, sensors, Internet transactions, email, video, click streams, and/or all other digital sources available today and in the future.” (National Science Foundation, 2012:2).

“Data that challenge existing methods due to size, complexity, or rate of availability.” (National Science Foundation, 2014:3).

The European Commission (2016:1) refers to “big data” as:

“Large amounts of different types of data produced from various types of sources, such as people, machines or sensors. This data could be climate information, satellite imagery, digital pictures and videos, transition records or GPS signals. Big data may involve personal data: that is, any information relating to an individual, and can be anything from a name, a photograph, an email address, bank details, posts on social networking websites, medical information, or a computer IP address.”

Lastly, the Association of Certified Chartered Accountants (2020) defines big data as very large collections of information that may be examined to discover associations and meaning, in particular relating to people.

Certain definitions for “big data” extend the definition to include characteristics related to versatility, vitality, exhaustivity and extensionality (Favaretto et al., 2020).

Other definitions of “big data” sometimes refer to the techniques used to analyse the dataset (Favaretto et al., 2020). However, Salijeni et al. (2018) refer to those techniques under the term “big data analytics” thus distinguishing the techniques from the nature of the data.

For this paper, “big data” refers to data exhibiting the characteristics of volume, velocity and variety as described by Favaretto et al. (2020), and consistent with Salijeni et al. (2018), the definition will be used separately from the techniques used to analyse it.

Research design

This paper answers the research questions by first outlining the methodology used in this paper. A literature review follows, discussing possible applications of emerging technology by audit firms and, where necessary, how it is applied in the audit process. Key benefits to audit firms, the audit industry, and the audit process from using emerging technology are then discussed in detail.

As technology continues to evolve, new applications are routinely created allowing numerous benefits to be realised. This poses a challenge in attempting to thoroughly address this paper’s research question. Given the practical limitations, this paper highlights and analyses the key benefits most identified, allowing a more thorough, relevant, and valuable review to be performed. Where necessary, counterclaims to the key benefits are also highlighted to provide a more complete analysis of the prior literature.

The conclusion then presents an overall analysis, the paper’s limitations, and areas for future research.

Methodology

The paper used directed content analysis to provide greater clarity on the use and benefits of emerging technology on the auditing profession, audit firms and the audit process. While the goal of directed content analysis is usually to extend theory (Hsieh & Shannon, 2005), in this case, prior literature was used to collate, summarise, and analyse studies to help focus future research questions.

The sample selection began with an online search of the Google Scholar and University of Cape Town library databases. All papers and published reports on emerging technology in audit were identified. The abstracts of these studies were then scrutinised to ascertain whether they contained information relevant to this paper. As research relating to emerging technology is still gaining prominence, where necessary, online searches for supplementary information were accessed from the websites of reputable sources such as the 'Big 4' audit firms and professional accounting bodies. The selected literature was then reviewed in terms of the two research questions of this paper.

Literature review

Introduction

This literature review briefly discusses how emerging technology can be used in the audit process. The key benefits associated with audit firms using emerging technology is then highlighted and analysed in more detail.

Audit implications and applications

Audit implications

The International Auditing Assurance Standards Board (IAASB) has acknowledged the rapid rate at which technology is changing, particularly concerning big data and how it may impact the performance of an audit (IAASB, 2016). ACCA (2015) has also acknowledged the impact that big data will have on the audit industry and has called for audit firms to redesign how they perform their audits by using modern technology.

In performing an audit, ISA 200 requires the auditor to exercise professional judgement (IAASB, 2009). Audit methodologies have incorporated this requirement but have been developed on the premise that humans – not machines – exercise professional judgement. However, as certain tasks become automated, this may necessitate adjusting the audit plan to incorporate the shift from manual to automated tasks (Kend & Nguyen, 2020). This may then involve performing additional testing on the operating effectiveness of controls of the algorithms and decision processing used in machine learning (Kend & Nguyen, 2020). In essence, there could be a greater emphasis on auditing the machine (Zhang, 2019).

Audit applications

There are three broad areas of the audit where emerging technology could assist by either automating the task or providing the auditor with the necessary information needed to perform the task:

Aspects of the audit related to work processes and workflows.

Aspects of the audit that resulted in recurring judgements that are largely based on the information available to the auditor.

Judgments that are very different amongst auditors causing auditors to either disagree or not arrive at the same conclusions (Moffitt et al., 2018).

High volume structured and mundane tasks (such as the two areas identified by Moffitt et al. (2018) above) are ideally suited to be automated by robots (Cohen et al., 2019; Moffitt et al., 2018). These would include tasks such as performing reconciliations, matching documents for control and substantive testing (Moffitt et al., 2018), matching or transferring data from one source to another (Cohen et al., 2019; Cooper et al., 2019; Kend & Nguyen, 2020), and filtering and extracting specific data fields from a larger dataset (Cohen et al., 2019). Other robotics applications include the use of drones to perform inventory counts (Kend & Nguyen, 2020).

AI, however, can be used in all three areas of the audit identified by Moffitt et al. (2018). AI is typically best employed to automate tasks that would require the auditor to draw a conclusion based on the evidence gathered. These tasks do not require the use of professional judgement to perform being typically low-risk tasks that could be performed by an average person, even one without an auditing background, who can follow simple but clear instructions. An example of such an activity would include counting the number of inventory items appearing in an image or extracting certain terms from a contract. Once the AI has completed the task, the auditor can then review the results for errors and make any adjustments necessary (Zhang, 2019). When professional judgement is required to perform a task, AI is a useful tool for providing the auditor with the information needed to be used as the basis for the auditor to

arrive at an appropriate judgement. However, the final interpretation of the information is left to the auditor. AI is, therefore, a useful tool for enhancing auditors' professional judgement, not replacing it, thereby improving audit quality (Zhang, 2019).

Popular applications of AI in the audit process include, but are not limited to:

A virtual assistant developed as a conceptual model by Li and Vasarhelyi (2018) that can be used in audit brainstorming meetings for information retrieval and risk assessment purposes.

The use of natural language processing for automated contract analysis for risk assessment and performance of audit procedures (Zhaokai and Moffitt, 2019).

The use of algorithms and machine learning to analyse large datasets (Jiali & Khondkar, 2017; Kend & Nguyen, 2020). This has implications for risk assessment and gathering audit evidence.

Drones using computer vision to identify items to perform an inventory count (Christ et al., 2019).

AI has the potential to be used in even greater ways as AI subfields can be combined with other advances in computing (Deo, 2015), which could lead to even more opportunities for AI to be used within the audit space.

Key benefits

The benefits facing an audit firm from implementing emerging technologies into the audit process are extensive. The use of AI and big data may result in audits being more effective, both in terms of audit quality and cost (Jiali & Khondkar, 2017; Zhang, 2019). The factors that contribute to improving audit effectiveness and efficiency are elaborated on below.

Analysing large data sets

ISA 200 recognises the inherent limitations of an audit. One of those limitations is that it is impractical to audit all the available information due to time, cost, and resource constraints. Consequently, where necessary, auditors will use audit sampling techniques. However, there is an unavoidable risk that the financial statements may not be free from material misstatements, despite auditors performing their audit following the ISAs, as items not selected as part of the sample are not tested and may contain material misstatements (IAASB, 2009). Computer-assisted audit techniques (CAATs) assist auditors to perform many facets of an audit, such as sample selection for testing (Christensen et al., 2015; Salijeni et al., 2018). Although the use of big data analytics in the audit process is still in its infancy, analytics has routinely been used within the audit space before the development and use of big data analytics (Salijeni et al., 2018). However, existing analytical techniques utilising CAATs have several limitations in terms of the statistical techniques that can be performed (Brown-Liburud et al., 2015). Furthermore, CAATs are not able to integrate non-financial data from external sources such as social media networks and newspaper articles (Brown-Liburud et al., 2015). The use of AI in data analytics allows auditors to overcome these limitations and analyse larger, more diverse data sets (Brown-Liburud et al., 2015). This therefore reduces the risk of auditors not testing items that may contain material misstatements.

The limitation has, among others, allowed auditors to provide only reasonable assurance. As auditors have the ability to audit much larger samples, if not 100 percent, of their clients' data, they are also able to provide a greater level of assurance (Harris, 2017; Jiali & Khondkar, 2017; Kend & Nguyen, 2020; Salijeni et al., 2018). Big data analytics may allow auditors to perform more credible and effective audits (Alles, 2015) as audit practitioners are able to analyse real-time data of their client's transactions (Jiali & Khondkar, 2017; Kend & Nguyen, 2020). Auditors will also be able to collect information relating to external parties (such as newspapers, emails, social media platforms etc.) from sources other than the accounting records (Jiali & Khondkar, 2017). This enables auditors to increase the sufficiency of the audit evidence they collect, and which may be used to identify risk indicators or misstatements which would previously have been undetected when examining only financial data.

By testing 100 percent of the population, auditors are not only able to offer a greater level of assurance but are also able to address one of the limitations of the current audit process created by sampling and thus improve overall audit quality (Kend & Nguyen, 2020).

Machine learning has helped auditors to analyse big datasets as the machine learns subtle patterns in the larger dataset and is able to apply the same logic to similar cases (Dickey et al., 2019). Machine

learning thus makes it possible to analyse larger datasets as more indirect and complex patterns and multivariate effects, including those that may have been previously overlooked, are identified compared to the conventional statistical analysis technique performed by humans and computers (Hashimoto et al., 2018; Obermeyer & Emanuel, 2016). Machine learning thus allows previously inaccessible data to be analysed as current technology lacks the technological advances to analyse larger, complex datasets (Obermeyer & Emanuel, 2016). This then allows auditors to perform their audit work in a more focused manner (Dickey et al., 2019) and make better judgements (Zhang, 2019).

Improved accuracy

Zhang (2019) and Moffitt et al. (2018) state that robots can perform repetitive and rules-based tasks more efficiently and with far fewer errors than humans. Natural language processing and image recognition have also advanced to the stage where their capabilities are almost as accurate as a human's (Zhang, 2019). These automated tasks allow the audit to be performed more efficiently, but more importantly, when combined with a review by the auditor, could produce results that are as reliable as manual processes (Zhang, 2019).

Focusing on high-risk areas rather than performing mundane tasks

Technology allows auditors to spend a greater portion of their time on the audit applying their minds to more complex, subjective areas of the audit as mundane and repetitive tasks can now be automated, freeing up the auditor's time that would previously have been allocated to the performance of mundane tasks (Harris, 2017; Kend & Nguyen, 2020).

Reducing the time spent on tasks.

If larger datasets are analysed using traditional statistical techniques, this requires a significant time investment for auditors to perform the necessary testing. Reducing the time spent on audit tasks reduces audit costs. Alles (2015) claims that auditors may decrease the costs associated with their audits by using big data analytics. The use of big data analytics improves the overall efficiency of the audit (Salijeni et al., 2018).

There are some concerns that emerging technology may hamper efficiency. Audit practitioners express concern regarding the substantial time required upfront to ensure the technology operates effectively and to address any 'teething problems' (Kend & Nguyen, 2020).

Other efficiency concerns may arise from the ability to examine entire data sets potentially resulting in auditors 'over-auditing' (Kend & Nguyen, 2020) or highlighting patterns within the data which appear to indicate that the financial information contains misstatements and would thus require the auditor to respond expending time and effort, when in fact the patterns represent outliers (Salijeni et al. 2018).

These may lead to an increase in costs as auditors have to spend more time addressing these efficiency concerns (Salijeni et al. 2018).

Improved fraud detection

Fraud detection may also be more effective by using big data analytics as both financial and non-financial information can be analysed. For instance, phone calls, emails and meetings of management and directors can be analysed more thoroughly for patterns or links with financial information to detect instances of fraud (Jiali & Khondkar, 2017). Big 4 respondents expressed views in favour of using big data analytics as it highlights suspicious, high-risk areas that auditors should focus on (Dagilienė & Klovienė, 2019).

Using AI offers many benefits by improving effectiveness and efficiency in the audit process, but these benefits must be weighed up against the threats to the audit industry (Kend & Nguyen, 2020).

Conclusion

The paper's objective of analysing how emerging technology is used in audits and the positive effects audit firms can realise from its use was answered through the two research questions. More specifically, what are the implications and applications of emerging technologies in the audit process and how have these emerging technologies improved the overall audit effectiveness and efficiency? This analysis makes two meaningful contributions: Firstly, the analysis highlights the potential for technological innovation within the audit process and how this innovation could supplement traditional

audit processes and procedures currently used by audit firms. Secondly, incorporating emerging technologies into the audit process highlights the key benefits that can be derived by shifting away from manual processes, wherever possible. These key benefits include an improvement to audit effectiveness and efficiency by reducing the time spent on tasks, allowing auditors to spend more time auditing high-risk areas by automating routine, mundane tasks which would previously have had to be performed by auditors, thereby reducing errors, improving fraud detection and equipping auditors with the ability to audit large datasets, if not all of their clients' data, thereby potentially allowing auditors to express a higher degree of assurance and reduce the risk of not testing items that may contain material misstatements.

Limitations and areas for future research

The paper focused on highlighting and analysing the key benefits rather than the threats associated with audit firms using emerging technology. As such, no analysis was performed as to whether audit firms should invest in emerging technology by contrasting whether the benefits outweigh the threats. Given the emerging nature of the technology, research in this area provides limited empirical evidence of the benefits associated with using emerging technology in the audit process (Salijeni et al., 2018).

Future research could empirically test whether incorporating emerging audit technology results in improved audit effectiveness and efficiency. A quantitative analysis of individual benefits may improve the understanding of key benefits associated with using emerging technology in the audit process. When contrasted with a quantitative analysis of the individual costs, this could aid the decision as to whether the audit profession should implement emerging technology.

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Potential threats for the auditing profession, audit firms and audit processes inherent in using emerging technology.

Dale McGregor

Riley Carpenter

College of Accounting, University of Cape Town, South Africa

Key words

Artificial intelligence, audit, blockchain, big data, machine learning, robotics

Abstract

The audit profession currently faces several challenges to improve audit quality and efficiency. In response to these challenges, audit firms have invested considerably in implementing emerging technology. Although technological innovation may improve efficiency and effectiveness of operations, using these technologies creates several threats, which, if not adequately addressed by auditors, may harm audit quality, efficiency, and the professional development of the auditor. This paper performs a qualitative analysis of prior literature regarding the threats created by audit firms implementing emerging technology. These threats include concerns related to the integrity and security of data inputs, the auditor placing too much reliance on technology to the detriment of their professional development and exercise of professional judgement, a shortage of skills, the costs of technology implementation, disruptions to the status quo of the audit profession and auditing standards potentially being outdated. This paper adds value firstly by helping to determine how technology impacts the future of the auditing profession and secondly, by helping firms determine whether to invest in new technologies by providing a comprehensive overview of the threats resulting from such a decision.

Introduction

Dawn of the Fourth Industrial Revolution

Technological advances over time have improved mechanical production (Industry 1.0), distribution of electrical power generation (Industry 2.0) and the development of digital systems to automate routine tasks and duties (Industry 3.0) (Schwab, 2016; Veerankutty et al., 2018). These technical advances, particularly those in the field of computer science, have ushered in the Fourth Industrial Revolution (Industry 4.0), and created the processing speed and power for breakthroughs in new emerging technologies (Hashimoto et al., 2018) to allow humans and computers to collaborate and integrate in ways not previously thought possible (Schwab, 2016), thus allowing businesses to conduct their operations with greater efficiency and effectiveness (Beata, 2018; Schwab, 2016; Veerankutty et al., 2018). Audit firms are no different and accordingly have made significant investments, particularly the 'Big 4' audit firms, to implement these emerging technologies in their audit practices (Deloitte, 2020; EY, 2020a; KPMG, 2020; PwC, 2019). However, before audit firms can realise the full extent of the benefits from using emerging technology, they must be aware of and respond to the threats these emerging technologies present.

The rationale for audit firms to implement emerging technologies.

Auditors are constantly challenged to reduce audit fees (Asthana et al., 2018) and improve audit quality (Botic, 2018; Harris, 2016) while managing a significant amount of work (Persellin et al., 2019) in limited time (Ferguson, 2016; Persellin et al., 2019) and with limited resources at their disposal (Persellin et al., 2019). To address these challenges, audit firms have explored using emerging technologies (Harris, 2017).

Furthermore, as audit clients adopt these emerging technologies to aid decision making in their businesses, auditors will need to adopt advanced analytics to address the risks arising from new but complex technologies (Alles, 2015; Appelbaum et al., 2017) and meet their client's expectations (Alles, 2015).

Research question

By focusing on the emerging technologies covered most extensively in academic literature and mainstream media, this paper provides a detailed qualitative analysis to interrogate the following research question:

“How have the threats from emerging technologies such as artificial intelligence (AI) (including data analytics), robotics process automation and blockchain affected the auditing profession, audit firms and/or the audit process?”

To determine the scope for how this paper attempts to answer this question, a few broad terms in the research question need to be defined, specifically, “artificial intelligence”, “robotics process automation” and “big data”.

Definitions

Artificial intelligence

The Institute of Electrical and Electronics Engineers Standards Association Corporate Advisory Group defines AI in the *IEEE Guide for Terms and Concepts in Intelligent Process Automation* (2017:12) as:

“The combination of cognitive automation, machine learning, reasoning, hypothesis generation and analysis, natural language processing, and intentional algorithm mutation producing insights and analytics at or above human capability.”

AI enables machines to think like humans and perform functions that require human intelligence such as problem-solving, recognition of text, speech and images, reasoning, and learning (Copeland, 2020). AI also allows computers to adapt to their environment (Copeland, 2020).

Hashimoto et al. (2018) categorise AI into four further divisions, namely machine learning, artificial neural networks, natural language processing and computer vision.

Machine learning is defined in the *IEEE Guide for Terms and Concepts in Intelligent Process Automation* (2017:14) as:

“Detection, correlation, and pattern recognition generated through machine-based observation of human operation of software systems along with ongoing self-informing regression algorithms for machine-based determination of successful operation leading to useful predictive analytics or prescriptive analytics capability.”

Machine learning, at its core, focuses on how machines learn from data by recognising patterns in data to improve future performance (Alpaydin, 2016; Hashimoto et al., 2018).

Artificial neural networks, a branch of machine learning, simulate the human brain by receiving data inputs and then processing the data to produce an output (Deo, 2015). Its emergence has played a vital role in developing many AI applications (Hashimoto et al., 2018).

Natural language processing is an AI application regarding how computers process and analyse written or spoken language. Applications of natural language processing include its use in search engines, such as Google, speech and document categorisers and virtual assistants such as Apple’s Siri (Quarteroni, 2018).

Computer vision emphasises how machines understand images and videos, thus emulating a human’s ability to recognise objects and scenes. Popular computer vision applications include fingerprint recognition, motion capture, surveillance, optical character recognition and machine inspections (Szeliski, 2011).

Robotic process automation

Robotic process automation is defined in the *IEEE Guide for Terms and Concepts in Intelligent Process Automation* (2017:11) as:

“A preconfigured software instance that uses business rules and predefined activity choreography to complete the autonomous execution of a combination of processes, activities, transactions, and tasks in one or more unrelated software systems to deliver a result or service with human exception management.”

In essence, robotic process automation allows rules-based human tasks to be automated by robots (Moffitt et al., 2018).

Big data

Common features of “big data” definitions tend to encompass large data sets consisting of different types of data from various sources. However, Gandomi and Hader (2015) and Favaretto et al. (2020) note that there is no official “big data” definition.

Gartner (2012) defines “big data” as information assets that are high-volume, high-velocity and/or high-variety and which require new time and cost-efficient methods of data processing that result in greater insight, ability to make decisions and automating of processes.

Using this definition, Favaretto et. al (2020) explain that the definition of big data comprises three common characteristics, namely volume, velocity, and variety. Volume refers to a large amount of data but with no consensus on what is considered “big”, while velocity refers to the exponential rate at which data is produced and processed. Lastly, variety denotes the different types of data that are accumulated from various sources such as administrative data, social media content, photographs, and videos. Gandomi and Haider (2015) argue that characteristics such as velocity and variety are equally important as volume.

Other definitions from internationally renowned organisations and bodies include the following:

The National Science Foundation, established by the United States Congress, defines “big data” as:

“Large, diverse, complex, longitudinal, and/or distributed data sets generated from instruments, sensors, Internet transactions, email, video, click streams, and/or all other digital sources available today and in the future.” (National Science Foundation, 2012:2)

“Data that challenge existing methods due to size, complexity, or rate of availability.” (National Science Foundation, 2014:3).

The European Commission (2016:1) refers to “big data” as:

“Large amounts of different types of data produced from various types of sources, such as people, machines or sensors. This data could be climate information, satellite imagery, digital pictures and videos, transition records or GPS signals. Big Data may involve personal data: that is, any information relating to an individual, and can be anything from a name, a photo, an email address, bank details, posts on social networking websites, medical information, or a computer IP address.”

Lastly, the Association of Certified Chartered Accountants (2020) defines “big data” as very sizeable data sets or collections of data that can be analysed specifically for patterns, trends, or linkages, with particular reference to human conduct and communications.

Other features such as versatility, vitality, exhaustivity and extensionality have also been considered as features of big data (Favaretto et al., 2020).

Certain academics and practitioners have incorporated the techniques used to analyse the data sets as part of the “big data” definition (Favaretto et al., 2020), however, Salijeni et al. (2018) distinguish those techniques as a separate concept referred to as “big data analytics”.

For this paper, “big data” is used within the context of the three common characteristics provided by Favaretto et. al (2020) – volume, velocity, and variety – while the term “big data analytics” refers to the techniques for analysing the datasets, consistent with Salijeni et al. (2018).

Research design

This paper is structured as follows. The next section describes the methodology used; thereafter, the literature review identifies and discusses the key threats of artificial intelligence, big data analytics, robotics process automation and blockchain to audit firms, the audit industry, and the audit process.

The substantial number of threats facing audit firms poses a challenge in attempting to satisfy this paper’s research question. Therefore, it focuses only on the key threats, which helps provide a more valuable and detailed analysis. Due to practical limitations, only those threats that recur in the prior literature have been highlighted and analysed.

Opposing views are compared in an attempt to provide a detailed analysis to answer the paper’s core research question. Lastly, the conclusion provides closing arguments, highlights the paper’s limitations, and suggests areas for further research.

Methodology

The paper used directed content analysis to provide greater clarity on emerging technology threats to the auditing profession, audit firms and the audit process. To focus future research questions, prior literature was used to collate, summarise, and analyse studies, which broadened the usual goal of directed content analysis, which is to extend theory (Hsieh & Shannon, 2005).

Google Scholar and University of Cape Town library databases were used to start the online sample selection. All papers and published reports on emerging technology in auditing were identified. Relevant information was ascertained from the studies' abstracts. Supplementary information was accessed from reputable websites of the 'Big 4' audit firms and professional accounting bodies, due to the newly developing stature of emerging technology. The selected literature was then reviewed in terms of the research question.

Literature review

Introduction

The literature review provides a detailed analysis of the threats facing an audit firm implementing emerging technologies into the audit process. Firstly, reasons for the choice of threats are outlined. The literature review is then divided into sections in which individual threats are analysed and placed in the context of current and prior literature.

Key threats

Reliability, compatibility, and security of data inputs

AI requires a significant amount of high-quality data to operate effectively. The output produced by AI is thus only as good as the data input. A lack of data or data of inferior quality therefore affects AI's performance levels (Obermeyer & Emanuel, 2016).

ISA 500 requires information used to perform audit procedures to be tested for accuracy and completeness. This test can be performed either as part of the audit procedure itself or it can be carried out before using the information to perform the audit procedure; for example, testing the operating effectiveness of the controls over the preparation and maintenance of information and then using the information to perform substantive procedures (International Auditing and Assurance Standards Board, 2009). External audit evidence is generally regarded as more reliable than internally generated audit evidence, but external big data is unreliable given the limited fields stored (Cangemi & Brennan, 2019) causing difficulties with verifying its provenance (Appelbaum, 2016). Therefore, if data is input into AI applications, auditors – unless auditing the accuracy and completeness of the data as part of their audit procedures – are first required to audit the input data for accuracy and completeness. This poses several complications for auditors as the sheer volume, complexity and variety of big data may pose a challenge over verifying its accuracy and completeness before using AI to analyse the data. The AI analysis output is therefore limited by the nature and accuracy of the data available (Hashimoto et al., 2018).

Another concern associated with data input is that the data may not be compatible with applications as it lacks structure and has no standardised labels, which may cause difficulty in collecting and merging data (Jiali & Khondkar, 2017; Moffitt et al., 2018).

The collection, transmission and storage of personal data may also be limited or restricted due to certain laws and regulations (Zemankova, 2019).

Over reliance on technology and a shortage of skills/development

Evaluation of the data may lead to unintended consequences, which need to be balanced against the benefits realised from using AI (Kend & Nguyen, 2020). Algorithms may identify false or misleading correlations in the data, or correlation may be confused with causation leading to inappropriate conclusions and actions (Obermeyer & Emanuel, 2016). Users of financial statements, such as investors, may be harmed financially and reputationally if auditors arrive at inappropriate decisions based on biased algorithms (Zemankova, 2019).

Too much reliance may be placed on the application's ability without a true understanding of how the application arrived at those results. This phenomenon is referred to as the "black box effect" whereby the inputs into and outputs from the AI application can be observed but there is little to no knowledge of

its internal workings (Hashimoto et al., 2018). This may be due to the auditor not having the necessary skills to understand how the applications work.

Auditors' lack of skills and competence appears to be a significant barrier to audit firms implementing big data analytics in their audit process (Salijeni et al., 2018).

Rose et al. (2017) examined how the timing of the evaluation of analytical results from big data software affects the application of professional judgement and the ability of auditors to make decisions. Their sample included 127 audit practitioners from 'Big 4' audit firms. Their findings indicate that when analytical results from big data software are viewed before auditors have developed an expectation of the results of the analytical review procedures from traditional audit procedures, the auditors often fail to recognise patterns in the big data analytical results. The results of their study suggest that auditors derive more benefit from using big data analytical results after they have developed an expectation of the results derived from evidence obtained from traditional audit procedures. These findings could suggest that auditors lack the necessary skills to use big data analytics effectively. Audit practitioners from smaller audit firms also expressed concerns regarding a lack of knowledge (Dagilienė & Klovienė, 2019). Similarly, Omitogun and Al-Adeem (2019) found evidence that auditors from developing countries are aware of the importance of and the need to incorporate big data analytics into the audit process, but they lack the necessary analytical skills and are unfamiliar with latest big data analytical tools.

Individuals with advanced analytical and programming skills may be needed to supplement the lack of auditors' skills. However, as more businesses adopt big data for their decision-making, audit firms may have to compete against other businesses and may find it difficult to source personnel with the required skills (Alles & Gray, 2014). Furthermore, if auditors lack the relevant programming skills, they will have to place reliance on others to configure and maintain the programme. If programming errors have been made, the auditor may arrive at faulty judgements based on the output provided, thereby decreasing audit effectiveness (Zhang, 2019). In addition, if the programmes are not well maintained, they could be more susceptible to manipulation by hackers leading to the theft or destruction of confidential client information (Cangemi & Brennan, 2019; Zhang, 2019).

Omitogun and Al-Adeem (2019) suggest that auditors' lack of analytical skills may be due to most accounting degrees and qualifying exams not emphasising big data analytics. Richin et al. (2017) argue that while big data analytics enhance an auditor's skills, academics, professional bodies, and regulatory bodies must make the necessary adjustments to address deficiencies in their qualifications and standards. Kend and Nguyen (2020) propose future research should consider whether accounting degrees are structured to produce graduates with the necessary skills and knowledge to perform audits using AI, robotics process automation and big data analytics.

By placing excessive reliance on AI, auditors might end up being de-skilled as they play a more passive role in making decisions with limited use of their professional judgement (Sutton et al., 2018).

Salijeni et al. (2018) question whether audit firms operating in a big data era are a suitable environment to develop professionals if analytical skills are emphasised in the future. Turley et al. (2016) and Sutton et al. (2018) note that automation of audit processes may undermine the development of professional personnel to exercise professional judgement effectively.

Auditors becoming redundant or having to alter their roles.

Synergies between technology can lead to the development and adoption of new technology that can transform how things are done (Hashimoto et al., 2018).

Clohessy and Acton (2019) claim that blockchain could be a disruptive technology with a widespread impact on various businesses in the future. A 2019 Global Blockchain survey run by Deloitte had 56 percent of respondents echoing Clohessy and Acton's (2019) sentiments and believing that blockchain could potentially disrupt their businesses (Deloitte, 2019b). Blockchain use will potentially cause a shift from placing faith in people to accurately record and maintain transactions in separate ledgers to trusting the nature of the system to automatically verify and secure transactions in a decentralised digital ledger (Nofer et al., 2017). Although mainstream adoption rates are increasing (Kend & Nguyen, 2020), the rate of adoption is still relatively low (Clohessy & Acton, 2019).

Blockchain is a tamper-proof digital database of transactions ("a digital ledger") that requires consensus among computers on a peer-to-peer network before the transaction can be recorded in the

database. The database is not centrally administered, and a copy of the database is stored on each computer in the network, making it easily viewable at all times by all users. The blocks contain digital information about the transaction and blocks are linked together via a chain to form a series of events. Each block uses a hash created from an algorithm (similar in concept to a unique transaction ID) that allows the data to be authenticated. Each subsequent block stores the previous block in the chain's hash. If the original data is changed, a new hash is created for the altered data causing the altered data's hash to fail to match the original data's hash (Beck, 2018; Nofer et al., 2017; Rozario & Thomas, 2019). As data cannot practically be altered due to the nature of the system, blockchain facilitates triple-entry accounting by acting as an intermediary to automatically authenticate the transaction and thus increase the reliability and transparency of record-keeping (Dai & Vasarhelyi, 2017).

Schmitz and Leoni (2019) performed a thematic analysis of academic literature and professional reports and the websites of the 'Big 4' audit firms and internationally recognised accounting bodies. The authors claim that the shift in trust to blockchain has led to many academics and practitioners believing that auditors will become obsolete. However, Schmitz and Leoni (2019) suggest that these claims may not be valid as blockchain only provides assurance that the transaction has been recorded, not that it has occurred. Likewise, the underlying transaction may not have been authorised (Cangemi & Brennan, 2019). In a global survey of 600 participants, PwC (2018) reports that 45 percent of respondents believed a lack of trust in the technology could delay the adoption of blockchain. Auditors will therefore still be needed to provide assurance that the underlying transactions are valid (Cangemi & Brennan, 2019; Schmitz & Leoni, 2019).

Although blockchain may not cause auditors to become redundant, they will be required to fundamentally alter their role in a blockchain environment (Cangemi & Brennan, 2019; Dai & Vasarhelyi, 2017; Rozario & Thomas, 2019; Schmitz & Leoni, 2019). Firstly, blockchain could cause a shift from the traditional assurance model of auditors examining historical data to a continuous assurance model where parties, including but not limited to the auditor, share documents via blockchain and can verify the transactions in the blockchain in real-time (Cangemi & Brennan, 2019; Dai & Vasarhelyi, 2017; Rozario & Thomas, 2019). While this may cause the importance of auditors in verifying certain transactions to decrease, auditors will be needed for other roles that require the exercise of professional judgement (Dai & Vasarhelyi, 2017). For instance, if payment is recorded, the auditor's judgement will be required to determine if the corresponding contra-account has been correctly classified (ICAEW, 2017). Other roles could include providing assurance services over the system's ability to record transactions securely and maintain integrity (Boillet, 2017; Dai & Vasarhelyi, 2017). Furthermore, auditors will need to vet external parties who provide online services for blockchain to ensure they offer reliable services according to all laws and regulations (Boillet, 2017).

Secondly, auditors will be needed to render services related to smart contracts, another blockchain application as there are claims that smart contracts will be the future of doing business (EY, 2020b). A smart contract has the contract's terms and conditions written into the source code of a program stored on the blockchain. Once certain conditions occur, the contract automatically executes (EY, 2018). Auditors could play a role in creating smart contracts that are used in a system of internal control and to examine data using sophisticated analysis techniques (Dai & Vasarhelyi, 2017). Following EY's launch of its testing and security services for smart contracts, vulnerabilities in the source code are being identified by EY (EY, 2019). In addition to assurance services for smart contracts, auditors may offer new services related to assuring the blockchain system and validating digital assets (Deloitte, 2019a). Lastly, as the blockchain requires consensus among various users before being recorded, the recording of the transaction can easily be verified and automated. This could result in a shift for auditors from verifying the recording of transactions to focusing on aspects of the audit that cannot be automated (Boillet, 2017). Schmitz and Leoni (2019) claim that businesses mostly limit recording their transactions on blockchain to those linked to trade receivables and payables. This would suggest that auditors would still be needed to perform a traditional audit for those transactions not recorded on blockchain (Cao et al., 2019; Rozario & Thomas, 2019). However, auditors need to be cognisant of how their roles may be adapted and thus make the necessary adjustments to adapt within a blockchain environment to remain relevant.

Emerging technology may not replace the audit outright, but it may attract non-audit firms to the audit industry, causing the traditional audit firm to become redundant. Large multi-national companies who specialise in technological innovation, such as Google, could easily leverage the capabilities of emerging technology and apply them in the audit process. The audit industry must therefore adequately manage the benefits and threats created by blockchain and other emerging technologies (Richins et al. 2017).

Costs creating a barrier for adoption.

Emerging technology will require a significant investment in resources, both financial and non-financial. The 'Big 4', with their large international networks, have greater access to resources than small audit firms and will thus be better placed to service their clients' needs using emerging technology. This would decrease competition within the audit industry as resource constraints would cause small firms to struggle to remain competitive and meet their clients' expectations (Kend & Nguyen, 2020). Cao et al. (2019) claim that there are indirect costs associated with the adoption of blockchain by auditors such as the loss of clients who prefer to be audited using traditional methods. Cao et al. (2019) suggest that despite the numerous benefits, which include a cost-saving from audit efficiency, the upfront investment costs associated with blockchain may limit its adoption by auditors.

Technical standards outdated.

Salijeni et al. (2018) claim that the lack of guidance in regulations and professional standards may inhibit auditors from fully embracing and adopting technological advances. Audit practitioners noted that the regulators and standard setters may be slow to make the necessary adjustments to keep up with technological advances (Kend & Nguyen, 2020). Rozario and Thomas (2019) suggest that it is unclear what changes should be implemented to the auditing standards to facilitate using more advanced analytical tools. Alles (2015), however, states that auditors do not use their full discretion in interpreting the requirements of the current iteration of the auditing standards and they should view big data as a means to gather audit evidence to satisfy the current auditing standards requirements, rather than as a new development that requires auditing standards to be revised to facilitate big data's use in the audit process. Regulators claim that the current iteration of auditing standards can be applied to audits using big data analytics but may need additional context for concepts such as materiality and risk assessment when considered within a big data environment (Salijeni et al., 2018).

However, Kend and Nguyen (2020) call for audit standards to be revised to facilitate the adoption of and address the threats created by the use of emerging technology by auditors. Omitogun and Al-Adeem (2019) propose research to explore how professional auditing standards can provide requirements for data security and safeguards against ethical threats.

Conclusion

This paper analysed the effect of the threats created by emerging technologies on the auditing profession, audit firms and the audit process. This analysis provided value in two ways. Firstly, it helped determine how technology impacts the future of the auditing profession. Secondly, this paper helps firms assess whether to invest in new technologies by providing a comprehensive overview of the threats resulting from such a decision.

These threats relate to the reliability, compatibility and security of data input concerns, the auditor placing too great a reliance on technology, a shortage of skills required to use emerging technology effectively, the costs of emerging technology creating a potential barrier for adoption, auditors becoming redundant or having to fundamentally alter their current roles and professional auditing standards not providing adequate guidance to allow auditors to use new technologies.

In an ever-changing environment, it is of paramount importance for auditors to maintain relevance to continue to provide a valuable service. This will not only improve the overall credibility of financial statements, but it will also contribute to the long-term viability of the auditing profession. In accomplishing this, auditors will be required to address some, if not all, of these identified threats.

Limitations and areas for future research

As noted by Salijeni et al. (2018), there is limited empirical evidence on the effects of emerging technology on the audit process and profession. As such, future research could add value by performing a quantitative analysis to determine the validity of an individual threat to audit firms and the auditing profession. As no attempt has been made to determine whether the threats outweigh the benefits created or vice-versa, and no conclusion has been formed as to whether audit firms should engage in technological implementation, this presents scope for future research.

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Factors influencing staff motivation. in organised retail sector in Kolkata, India

Gairik Das
Sohini Dutta
IISWBM, Kolkata, India

Key Words

Cash benefit structures, career growth opportunities, incentive structure, organised retail sector, reward and recognition structure, staff motivation.

Abstract

Purpose of Research: The present paper studies the effectiveness of the factors in motivating the employees working in the retail industry. It also analyses the perception of the employees about the effectiveness of the factors influencing staff motivation and the difficulties faced by them in their workplace and their opinions on being better off. This study is very crucial in present day context as competition in retailing is getting steeper. Particularly after the economic slowdown in a highly volatile economic environment, retailers must analyse the factors affecting their employee motivation.

Methodology: In this study, the researchers have tended to highlight the positivist philosophical approach. The research has been carried through the survey done on the staffs of operations and sales team of some top organised retailers in Kolkata by a standardised questionnaire, blended with open ended and close ended questions. It also delves into the effect of demographics and psychology of the staffs and their perception about the factors influences their motivation level in the workplace, by using various statistical tools like Chi-Square Test, Cronbach's Alpha and Factor Analysis in the study.

Findings: Reward and Recognition structure and Cash Benefit structures are the most influential factors in motivating the staffs to work in retail sector, closely followed by Career growth opportunities. Again, the Incentive structure influences the staff motivation to perform better in sales.

Practical Implications and Conclusions: The components give an unadulterated and fulfilling experience to the staffs which makes them feel good about their work and also make them feel hopeful in order to make betterment in their career. These leads to positively influencing the motivation level of the staffs in the retail industry. This leads to better performance from the staffs in both quality and quantity. This also reduces employee turnover. This helps in maintaining a healthy environment work balance with a healthy relationship between the staffs and the management, in the retail sector. This in turn helps the retail sector to grow and prosper.

1. Introduction

Quality of service is a leading criterion of excellence for most retailers and the quality of service is wholly dependent on employee service providers. Disgruntled, detached, and slothful employees can damage a retailer's bottom line as much as a big-box store locating across the street. Thus, employee motivation is one of the hottest, yet confusing, topics in the retail industry. Everybody wants the Rosetta stone to unlock the secrets of retail employee motivation.

Retail is a fast-paced and competitive environment, so it's no surprise that setting attainable goals is a huge motivating factor for employees. An easy way to motivate retail employees and work toward the company's goals is to create competitions encouraging employees to strive for those goals. To make sure these goals are attainable, otherwise those targets will just exhaust employees who already struggle with burnout. Offering more responsibility to the employees, the company can demonstrate that they're invested in their professional growth and see them as more than just an "asset" for the business. The monotony of a retail job can quickly make employees disengage, and so rewarding the employees with more responsibility and recognizing retail employees for their effort is the true key to motivating them. Recognition can come in many forms: verbal, peer-to-peer, manager-to-peer, and more. Employees, especially those who work in retail thrive on recognition for a job well-done. It is to be also made sure that the employees are empowered to voice their opinions about what the company could do better. The employees should be encouraged to share their opinions. Again, providing a clear path forward is an easy way to motivate retail employees. Sometimes the best way to motivate retail employees is to break out of

the monotony of a day with a nice surprise for the employees. A surprise as simple as pizza for lunch or cookies in the break room can change an employee's entire attitude at work. There are plenty more ways to surprise employees.

2. Literature Review

Employee Motivation is widely exercised now across all corporate sectors including retail. The concept of motivation comes from a Latin word "movere" which suggests "to move" and motivation is what moves the staff from weariness to attention (Mohsan et al., 2004). Another definition is an action that stimulates an employee to require a course of action, which is able to cause attain some goal or to satisfy certain psychological needs of employee (George and Sabapathy, 2011). Robbins and Judge (2008) defined motivation because the processes that account for somebody's intensity, direction, and persistence of effort toward achieving goal. Motivation encompasses a persistence dimension. This is often a measure of how long someone can maintain effort (Robbins and Judge, 2008). There are two styles of motivation, intrinsic motivation, and extrinsic motivation (Thomas & Velthouse, 1990, Mohsan et al., 2004, Gagne, 2005, Dwivedula et al., 2011, George and Sabapathy, 2011). (Thomas and Velthouse, 1990) defined intrinsic motivation as "a positively valued experiences that a personal employee gets directly from their work tasks", stems from an instantaneous relationship between the doer and also the task (George and Sabapathy, 2011), rely upon employee's volition to predict her behavior (Dwivedula et al., 2011). They're self-motivated because they enjoy performing the particular tasks or enjoy the challenge of successfully completing the tasks (Mohsan et al., 2004). The self-generated factors, that affect people to behave in an exceedingly particular way or to maneuver during a particular direction includes responsibility, freedom to act, scope to use and develop skills and skills, interesting and challenging work, and opportunities for advancement. Feelings of feat, accomplishment and competence-derived from performing one's job are samples of intrinsic motivators and its associated with 'psychological' rewards (George and Sabapathy, 2011). Extrinsic motivation stems from the external work environment to the task and is typically applied by someone aside from the person being motivated (George and Sabapathy, 2011), the external motivation maintains that the link between individual's motives and therefore the behavior is moderated by the individual's affection, and cognition of the outcomes (Dwivedula et al., 2011). Extrinsic motivation is expounded to 'tangible' rewards in (George and Sabapathy, 2011). Employees who are externally motivated, generally don't enjoy the tasks but are motivated to perform well by some reward, pay, promotion, praise, or ovoid any negative consequences (Mohsan et al., 2004). The discussion on the inner and external basis of motivation concludes that job motivation could be a multi-dimensional concept (Dwivedula et al., 2011). Charles & Marshall (1992) found that the highest motivators for workers were: good wages, good working conditions, and appreciation for employment well done. (Simon and Enz, 1995) found, within their studies in the U.S.A and Canada the motivation factors of hotel workers are 1. Good Wages 2. Job Security. 3. Promotion & growth within the organization. 4. Good working conditions 5. Interesting Work. 6. Full Appreciation of labour done 7. Personal loyalty to employees. 8. Feeling of being "in on things". 9. Tactful Discipline. 10. Sympathetic help with personal problems. Tella et al. (2007) stated, Strategies of motivating Workers as follow:- Salary, Wages and Conditions of Service: personnel managers must consider four major components of a salary structures these are the duty rate, which relates to the importance the organization attaches to every job; payment, which inspires workers or groups by rewarding them consistent with their performance; personal or special allowances, related to factors like scarcity of particular skills or certain categories of data professionals or librarians, or with long service; and fringe benefits like holidays with pay, pensions, and so on. Money: this is often done through the method of rewarding employees for higher productivity by instilling fear of loss of job (e.g., premature retirement because of poor performance). The need to be promoted and earn enhanced pay might also motivate workers. Staff Training: Staff training is a substantial strategy for motivating employees. Information Availability and Communication: Information availability brings in contact a robust peer pressure, where two or more people running together will run faster than when running alone or running without awareness of the pace of the opposite runners. By sharing information, subordinates compete with each other. Today organizations from all round the world struggle to motivate its employees so as to survive and compete in dynamic corporate environment successfully as motivation puts human resources into action, improves level of efficiency of employees, enables the organizations to

achieve sustainable competitive advantage and ultimately ends up in attain organizational goals (Mohsan et al., 2004).

3. Research Methodology

In this research, the researchers have tended to highlight the positivist philosophical approach. As the data collected is also influenced by its external environments and does not exist without individual bias of respondents.

3.1. Hypothesis Formulation

Hypothesis building directs the researcher to the concepts that should be studied in order to get answers to the research questions (Ghauri & Gronhaug, 2002). According to the research questions listed above the hypotheses will be formulated as follows:

Ho1: There is a relationship between the influence of staff motivation factors and the staff performance.

Ha1: There is no relationship between the influence of staff motivation factors and the staff performance.

In the first hypothesis, the independent variables consist of the influence of staff motivation factors and the dependent variable is the staff performance.

Ho2: There is a relationship between the influence of staff motivation factors and the level of staff satisfaction at work.

Ha2: There is no relationship between the influence of staff motivation factors and the level of staff satisfaction at work.

In the second hypothesis, the independent variables are the influence of staff motivation factors, and the dependent variable is the level of staff satisfaction at work.

3.2. Research Technique

The type of research technique used in this case is that of survey. The information gathered from the secondary sources / literature review has helped in the formation of the questionnaire. The survey questionnaire had primarily three sections. The first section was designed primarily to collect the demographic data of the respondents. The second part of the questionnaire contains a number of statements. It aims to identify the factors influencing the motivation of the employees. The third section had few open-ended questions, where the respondents were free to express their opinions according to the asked question. The sample size for the survey was 90. Convenient random sampling technique was followed during the research. The researcher tried to target both male and female respondents across different age groups, who are a part of the operations and sales department of the retail stores. Before administering the final questionnaire, the questionnaire was tested in a pilot study.

4. Results

4.1. Results of Chi-Square Test

Table 1: Relationship of career growth opportunities with its significant variables

Statement/Question	Variables	Pearson Chi-Square Value	Significant/ Not Significant
Retail industry provides enough opportunities to grow in career.	Educational Qualification	0.001	Significant
	Present Designation	0.000	Significant

From Table 1, the relationship between the availability of career growth opportunities in retail industry and the educational qualifications of the employees is strongly significant. The availability of career growth opportunities in retail industry is highly significant depending on the present designation of the employees.

Table 2: Relationship of satisfaction level on career growth opportunities with its significant variables

Statement/Question	Variables	Pearson Chi-Square Value	Significant/ Not Significant
How satisfied are the employees about the career growth opportunities in retail industry?	Educational Qualification	0.001	Significant
	Present Designation	0.000	Significant
	Next Target Designation	0.004	Significant
	Initial Designation	0.000	Significant
	Total Years Working in Retail Industry	0.000	Significant
	Years working in the present Designation	0.002	Significant

From Table 2, the satisfaction of the employees about the career growth opportunities available in the retail industry is significantly related with the educational qualifications, next target designation and no. of years of working in the present designation of the employees. It is also strongly significant depending on the present designation, total years of working in the retail industry and the initial designation of the employees.

Table 3: Relationship of satisfaction level on leave structure with its significant variables

Statement/Question	Variables	Pearson Chi-Square Value	Significant/ Not Significant
How satisfied are the employees with the leave structure?	Age	0.031	Significant
	Marital Status	0.043	Significant
	Educational Qualifications	0.039	Significant
	Next Target Designation	0.034	Significant
	Total Years Working in Retail Industry	0.000	Significant
	Years Working in Present Designation	0.010	Significant

From Table 3, the satisfaction of the employees about the leave structure is significantly related to age, marital status, educational qualifications, next target designation and no. of years of working in the present designation of the employees. It has a strong significant relationship with the total years of working experience in the retail industry of the employees.

Table 4: Relationship of satisfaction level on reward and recognition structure with its significant variables

Statement/Question	Variables	Pearson Chi-Square Value	Significant/ Not Significant
How satisfied are the employees about the reward and recognition structure in retail industry?	Educational Qualifications	0.000	Significant
	Present Designation	0.008	Significant
	Next Target Designation	0.036	Significant
	Initial Designation	0.025	Significant
	Total Years Working in Retail Industry	0.000	Significant
	Years Working in Present Designation	0.000	Significant

From Table 4, the satisfaction of the employees about the reward and recognition structure is significantly related with the present designation, next target designation and initial designation of the employees. It possesses strong significant relationship with the educational qualifications, total years of working experience in the retail industry and the years of working in the present designation of the employees.

Table 5: Relationship of satisfaction level on cash benefit structure with its significant variables

Statement/Question	Variables	Pearson Chi-Square Value	Significant/ Not Significant
How satisfied are the employees with the cash benefit structure?	Educational Qualifications	0.000	Significant
	Initial Designation	0.011	Significant
	Total Years Working in Retail Industry	0.038	Significant
	Years Working in Present Designation	0.009	Significant

From Table 5, the satisfaction of the employees about the cash benefit structure is significantly related with the educational qualifications, initial designation, total years of working experience in the retail industry and years of working experience in the present designation of the employees.

Table 6: Relationship of satisfaction level on incentive structure with its significant variables

Statement/Question	Variables	Pearson Square Value	Chi-Square Value	Significant/ Not Significant
How satisfied are the employees with the incentive structure?	Present Designation	0.000		Significant
	Next Target Designation	0.005		Significant
	Initial Designation	0.007		Significant
	Total Years Working in Retail Industry	0.000		Significant
	Years Working in Present Designation	0.018		Significant

From Table 6, the satisfaction of the employees on incentive structure is significantly related to the present designation, next target designation and the initial designation of the employees. It has a significant relationship with the total years of work in retail industry and also years of working in the present designation of the employees.

Table 7: Relationship of requirement of changes in incentive structure with its significant variables

Statement/Question	Variables	Pearson Square Value	Chi-Square Value	Significant/ Not Significant
Requirement of changes in the incentive structure felt by the retail employees.	Age	0.021		Significant
	Marital Status	0.015		Significant
	Educational Qualifications	0.017		Significant
	Present Designation	0.000		Significant
	Initial Designation	0.003		Significant
	Total Years Working in Retail Industry	0.000		Significant
	Years Working in Present Designation	0.005		Significant

From Table 7, the feeling of the requirement of changes in the incentive structure in the employees is significantly related with the age, marital status, educational qualifications, initial designation, and years of working experience in the present designation of the employees. It is strongly significant depending on the present designation and the total years of working experience in the retail industry of the employees.

Table 8: Relationship of requirement of trainings with its significant variables

Statement/Question	Variables	Pearson Square Value	Chi-Square Value	Significant/ Not Significant
Requirement of trainings for the retail employees.	Age	0.010		Significant
	Marital Status	0.002		Significant
	Educational Qualifications	0.003		Significant
	Total Years Working in Retail Industry	0.000		Significant
	Years Working in Present Designation	0.000		Significant

From Table 8, the relationship the requirement of trainings by the employees is significant with the age, marital status, and the educational qualifications of the employees. Total years of working experience in the retail industry and years of working experience in the present designation of the employees have strong significance on the requirement of the trainings by the employees.

Table 9: Relationship of motivation level of the employees to work in retail industry with its significant variables.

Statement/Question	Variables	Pearson Square Value	Chi-Square Value	Significant/ Not Significant
Motivation level of the employees to work in retail industry.	Educational Qualifications	0.002		Significant
	Total Years Working in Retail Industry	0.043		Significant
	Years Working in Present Designation	0.023		Significant

From Table 9, the motivation of the employees to continue working in the retail industry is significantly related with the educational qualifications, total years of working experience in the retail industry and the years of work experience in the present designation of the employees.

Table 10: Relationship of achieved rewards with its significant variables.

Statement/Question	Variables	Pearson Chi-Square Value	Significant/ Not Significant
Achievement of rewards by the retail employees	Age	0.010	Significant
	Marital Status	0.007	Significant
	Educational Qualifications	0.007	Significant
	Present Designation	0.001	Significant
	Initial Designation	0.002	Significant
	Total Years Working in Retail Industry	0.001	Significant
	Years working in the present Designation	0.000	Significant

From Table 10, the achievement of rewards is significantly related with the age, marital status, and educational qualifications of the employees. It is also having significant influences on the present designation, initial designation, total years of working in retail industry and years of working experience in the present designation of the employees.

Table 11: Relationship of perception of the employees about the best factor about working in retail industry with its significant variables.

Statement/Question	Variables	Pearson Chi-Square Value	Significant/ Not Significant
Best factor about working in retail industry.	Age	0.004	Significant
	Marital Status	0.000	Significant
	Educational Qualifications	0.008	Significant
	Present Designation	0.012	Significant
	Initial Designation	0.014	Significant
	Total Years Working in Retail Industry	0.000	Significant
	Years Working in Present Designation	0.000	Significant

From Table 11, the perception of the employees on the best factor about working in the retail industry is significantly related with age, educational qualifications, present designation, and initial designation of the employees. It is also having strong and significant relationship with the marital status, total years of working experience in the retail industry and years of working experience in the present designation of the employees.

Table 12: Relationship of the employees referring people to work in retail industry with its significant variables.

Statement/Question	Variables	Pearson Chi-Square Value	Significant/ Not Significant
Retail employees referring people to join the retail industry.	Educational Qualifications	0.002	Significant
	Total Years Working in Retail Industry	0.043	Significant
	Years Working in Present Designation	0.023	Significant

From Table 12, the employees referring people to join the retail industry is significantly depending on the educational qualifications, total years of work experience in the retail industry and the years of working experience in the present designation of the employees.

4.2. Testing of Reliability of the Data

Table 13: Reliability Statistics

Cronbach's Alpha	N of Items
0.743	5

According to the Reliability Statistics in Table 13, the value of Cronbach's Alpha is equal to 0.743, which means that the data is approximately 74% reliable. The general thumb rule is that, for primary data with reliability statistics of 60% is accepted. Therefore, the survey data can be accepted.

4.3. Results of Factor Analysis

Factor Analysis has been carried out for reduction of variables, influencing the staff motivation in the retail industry.

Table 14: Rotated Component Matrix

	Component	
	1	2
How satisfied are you about the career growth opportunities in retail industry	0.822	-0.278
How satisfied are you with the incentive structure	-0.050	0.959
How satisfied are you with the leave structure	0.730	0.491
How satisfied are you about the reward and recognition structure in retail industry	0.839	0.197
How satisfied are you with the cash benefit structure	0.851	-0.072

The statements are grouped in the following factors: -

Factor 1: 1, 3, 4, 5 – Overall Benefits in Retail

Factor 2: 2 – Benefits on Performance in Sales

The outcome of Factor Analysis revealed two factors, which mostly influence the staff motivation in organised retail industry. The first factor, consisting of four statements (1, 3, 4, 5) has been named as Overall Benefits in Retail. The second factor, comprising of one statement (2) has been named as Benefits on Performance in Sales. Career growth opportunities, leave structure, reward and recognition structure and cash benefit structure are the overall benefits provided in the retail industry to keep up the motivation of their staffs. Incentive structure is the benefit provided to the staffs depending on the performance in sales which motivate them to perform better.

5. Discussion & Conclusion

The results of the Chi-Square Test indicate that, there exists significant relationship between the availability of career growth opportunities with the educational qualifications and the present designations of the employees. Moreover, the satisfaction level of the staffs on the career growth opportunities is more significantly related to the present designation, initial designation, and total years of work in the retail industry of the employees. The appropriate availability of the opportunities gives the staffs the hope of making them better off while still working which motivates them to work in the retail industry. The most significant variable in relation with the satisfaction level of the employees on the leave structure is the total working years in the retail industry of the employees. The benefits of proper leave structure help the staffs to relax rest and reflect on their work, which in turn motivates the staffs to perform better with more motivation to work better. The educational qualifications, total working years in the retail industry and years of working experience in the present designation of the employees have the most significance on the satisfaction level of the employees on the reward and recognition structure. The reward and recognition structure makes the staffs feel good about hard work they put in; the appreciative gestures make them feel good about the work they do which motivates them to work better the next time. The satisfaction level of the employees on cash benefit structure depends most significantly depends on the educational qualification and the years of work experience in the present designation of the employees. The cash benefit structures motivate the staffs to work for their company as they get congratulated and appreciated for having a special event in their personal life like, cash benefits/ gift vouchers provided after getting married, or for having a baby, etc. The satisfaction level of the employees on the incentive structure is most significantly related with present designation and the total years of working in the retail industry of the employees. This sets a target in the minds of the staffs so that they can earn more than usual which encourages them to work better and as they get appreciated with incentives; it also motivates them to work better in future too.

The staffs feel the need to have changes in the incentive structure depending strongly on the significant variables like present designation, total years of working in the retail industry of the employees. The most significant relationship of the perception of the employees for the requirement of trainings is with educational qualifications, total years of working in the retail industry and also years of

work in the present designation of the employees. The educational qualification, total work experience in retail industry and also work experience in the present designation significantly influences the motivation level of the employees. The achievement of rewards is most significantly influenced by years working in the present designation of the employees. The perception of the staffs about the best factor of working in retail is significantly related to the age, marital status, present designation, initial designation, work experiences in the retail industry of the employees. The educational qualifications and the work experiences in years significantly influence the decision of the staffs about referring people to work in retail industry.

The result of Factor Analysis uncovered two factors, which for the most part impact the attire buys from sorted out retail outlets. The first, comprising of four articulations (1, 3, 4, 5) has been named as Overall Benefits in Retail. The second factor, involving one explanation (2) has been named as Benefits on Performance in Sales. Career growth opportunities, leave structure, reward and recognition structure and cash benefit structure have a great impact on staff motivation in the retail industry. Among these, the career growth opportunities, the reward and recognition structure and the cash benefit structure have a neck-to-neck impact on the employees in motivating them to work better. Incentive structure of the second component named Benefits on Performance in Sales, helps in encouraging the staffs to work better in quality as well as in quantity so that they can hit above the minimum assigned targets which will lead them to earn more than usual. This is highly motivating for the staffs to work better in the retail industry.

The components give an unadulterated and fulfilling experience to the staffs which makes them feel good about their work and also make them feel hopeful in order to make betterment in their career. These leads to positively influencing the motivation level of the staffs in the retail industry. This leads to better performance from the staffs in both quality and quantity. This also reduces employee turnover. This helps in maintaining a healthy environment work balance with a healthy relationship between the staffs and the management, in the retail sector. This in turn helps the retail sector to grow and prosper.

6. Limitations & Future Scope

The present study has been conducted in the city of Kolkata, India. However, future studies may be extended to other parts of the country. Furthermore, the present study involved a sample size of 70. The sample size is small. Future studies can be conducted by using more sample size, to identify any variation in results. Time constraint has been another drawback of the study, and future research can be done in a larger time frame. Moreover, the pandemic of Covid-19 has made psychological changes in the minds of the staffs about the hygiene factors because they come in direct contact with several customers. So, future study can be extended with focus on the post-pandemic era.

7. Appendix

Gender: i) Male ii) Female

Age: i) 18- 23 years ii) 23- 28 years iii) 28- 35 years iv) Above 35 years

Marital Status: i) Single ii) Married.

Educational Qualification: i) Secondary ii) Higher Secondary iii) Graduate iv) Postgraduate & above

Your present designation: i) CCA ii) Fashion Consultant iii) Personal Shopper iv) Department Manager

Your next target designation: i) Fashion Consultant ii) Personal Shopper iii) Department Manager iv) Retail Operations Manager

Your initial designation: i) CCA ii) Fashion Consultant iii) Personal Shopper iv) Department Manager

Total years working in retail industry: i) 0-2 year ii) 2-5 years iii) 5-8 years iv) 8-10 years v) Above 10 years.

No. of years working in the present designation: i) 0-1 year ii) 1-2 years iii) 2-3 years iv) 3-5 years v) Above 5 years.

Retail industry provided enough opportunities to grow in career: i) Yes ii) No

How satisfied are you about the career growth opportunities in retail industry?

i) Extremely Satisfied ii) Satisfied iii) Neither Satisfied nor Dissatisfied iv) Dissatisfied v) Extremely Dissatisfied

Achieved rewards: i) 0 ii) 1 iii) 2 iv) 3 v) 4 vi) More than 4 times.

Best Groomed Employee: i) Never ii) 1-2 times iii) 3-4 times iv) 5 times v) More than 5 times

Best Customer Care Associate: i) Never ii) Once iii) Twice iv) Thrice v) More than Thrice

Best Department Manager: i) Never ii) Once iii) Twice iv) Thrice v) More than Thrice

How satisfied are you with the incentive structure: i) Extremely Satisfied ii) Satisfied iii) Neither Satisfied nor Dissatisfied iv) Dissatisfied v) Extremely Dissatisfied?

How satisfied are you with the leave structure: i) Extremely Satisfied ii) Satisfied iii) Neither Satisfied nor Dissatisfied iv) Dissatisfied v) Extremely Dissatisfied?

How satisfied are you about the reward and recognition structure in retail industry?

i) Extremely Satisfied ii) Satisfied iii) Neither Satisfied nor Dissatisfied iv) Dissatisfied v) Extremely Dissatisfied

No. of trainings offered to you:

Any training that you require but have not received: i) Yes ii) No

Areas you need to improve yourself.

Your plan on how you want to improve yourself:

How satisfied are you with the cash benefit structure: i) Extremely Satisfied?

ii) Satisfied iii) Neither Satisfied nor Dissatisfied iv) Dissatisfied v) Extremely Dissatisfied

Do you feel any changes are required in the incentive structure: i) Yes ii) No?

Do you feel motivated to work in retail industry? i) Yes ii) No

What is the best factor about working in retail industry? i) Timely salary ii) Good growth opportunity iii) Work culture iv) Supportiveness of the management?

Do you refer people to join the retail industry? i) Yes ii) No

Reasons for referring people in retail industry.

Where do you see yourself in next 2-3 years?

Your place of interest to work other than operation department.

Your experience of working in retail industry (in your own words):

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Coexistence of wildlife with modern tourism: the context of Bangladesh

Sharmin Sultana

Majharul Islam

Sk Zahin Arabi

Tourism and Hospitality Management
Daffodil International University, Bangladesh

Keywords

Wildlife, Sustainability, Domestic Tourism, Tourist and Travelers, Local community, Society.

Abstract

Wildlife is an essential element of our environment for the ecosystem to maintain the ecological balance. Tourism is also a crucial factor for the development of our infrastructure, economy, and social well-being. Tourism plays a positive role in our economy by directly and indirectly involving different industries and generating revenues, but tourism also plays a different role to the society and the environment as more people cause more pollution. The industry of domestic tourism has been on bloom before covid-19. As nature recalls the natural resources are now better than before. Various occasions are counted, and important measures are taken into account. It also shows how the industries are harming the wildlife situations alongside the locals in those selected areas. The aim of this study is to find a way to establish a sustainable tourism specially giving emphasis on wildlife. This research goes deep with the altercation of human thinking as a local and also as a tourist. Data were collected through a structured questionnaire survey from 140 respondents following a random sampling method. SPSS software was used for data analysis. The statistical findings reveal that tourists are indirectly involved with reduction of wildlife species in Bangladesh. The industry of domestic tourism has been on bloom before covid-19. As nature recalls the natural resources are now better than before. Various occasions are counted, and important measures are taken into account. It also shows how the industries are harming the wildlife situations alongside the locals in those selected areas. The findings of this study might help reshape the tourism industry and find ways for coexisting of wildlife with modern tourism.

Introduction

Co-existence of wildlife with modern tourism should be the main considerations in developing sustainable tourism in Bangladesh. Local and international tourists are considered as the main and direct interaction to the wildlife. Bangladesh most likely has different situations based on nature and wildlife as it is a green country and majority of the people are accounted for with nature itself. Through the research people were segmented in different ways in order to achieve different responses which are analyzed. The research argues with the statement "Co-existence of wildlife with tourism". It argues with the society's current barriers and common practices as that effect directly with the wildlife.

The conflict of human and wildlife has contributed to the extinction of numerous species (Woodroffe R, Thirgood S, Rabinowitz A, eds. 2005) as people look for new places to live and sustain. Human communications with untamed life are frequently outlined adversely regardless of whether significant positive advantages—recreational, instructive, mental, and environment administrations—exist (Soulsbury CD, White PCL. 2015). Human-untamed life strife has critical ramifications for human wellbeing, security, and government assistance, just as biodiversity and biological system wellbeing. Effects on people can be immediate or aberrant. Human injury and demise can result when creatures nibble, paw, gore, or in any case legitimately assault individuals; during impacts among creatures and autos, trains, planes, boats and sends, and different vehicles; and from the transmission of a zoonotic infection or parasite (Conover MR. 2002).

It has been seen that humans and wildlife have a long history of conflict which caused humans to do harm to nature. Thus, tourism can lead to various problems such as disease and virus outbreak. This study sees that limitation and tries to find problems that can be solved. Travel and tourists have very little

patience for protecting nature or wildlife because of the lack of ethical practice and education. Though the majority of tourists and travelers are students they are unaware of the situation that they might create especially in the context of Bangladesh. A key finding was the requirement for wildlife tourism researchers to emphasize their fondness with the paradigmatic situation of the natural sciences in their research activities. A significant challenge in realizing future open doors is accomplishing interdisciplinary research, where natural and social researchers cooperatively characterize, and address concerns related with sustainably overseeing wildlife tourism. (Kate Rodger, Susan A. Moore & David Newsome 2010)

The relation between wildlife and humans are long history but through tourism it has started to come to light.

Literature review

The values of conservation, animal welfare, visitor satisfaction, and profitability are often in conflict in wildlife tourism (WT) and trade-offs are necessary. While there is a range of factors involved, the most germane are impact on the environment and quality of the experience. Sustainable tourism depends on encouraging the desirable and discouraging the undesirable. (Paul C Reynolds, Dick Braithwaite, 2001)

Tourists enjoy the Nature's design, performance and immense biodiversity which start a passionate reaction of 'wonderful', marvel and advantage that opens eco centric and human associations with wild creatures and an inclination that is 'incredible'. There is an ideal opportunity to stand and gaze and think about. Nature and untamed life are spatial occasions as well as transient ones. In this limited encapsulated space of an untamed life experience, socially built present day quick time scatters and is supplanted by tranquility and nature's time whereby members are completely invested in the exhibition. (Susanna Curtin, 2009).

The emphasis on human-wildlife life struggle has frequently been an imperative to wildlife protection, as professionals have fixated their consideration on diminishing negative connections, instead of on expanding positive relations among people and untamed life. To run after arrangements that augment protection achievement, it is important to incorporate positive co-operations, conjunction, and mentalities of resistance toward untamed life. (Beatrice Frank, 2016)

Support in wildlife-based community tourism inside and around secured regions is viewed as an apparatus to connect biodiversity preservation and community occupations improvement. However, there is an insufficiency of frameworks at present used to get unpredictable and dynamic connections that exist among protection, tourism, and improvement. The community capitals structure is received to survey these linkages from a framework thinking point of view in which community capitals' stock and stream, clarified by a community's investment in tourism decides the course of progress. (Moren Tibabo Stone & Gyan P. Nyaupane, 2018)

Wildlife tourism epitomizes many of the research and management issues confronting those working at the interface of society and natural resources. Little is currently known about this interface, especially the impacts resulting from interactions between people and the wildlife on which this industry depends. (Kate Rodger, Susan A. Moore & David Newsome 2010).

Research methodology

This research has been conducted with quantitative research methodology. Secondary research data were also used, and some group discussions are also conducted through various steps. But the nature of this study is quantitative. Standard questionnaire was used which had closed ended questions. Data was collected from different places of Bangladesh. Group discussions were only to get a better perspective for the initial research and data analysis.

Findings

The total numbers of respondents were 140 members. There were a lot of suggestions from different people at different places.

The demographic segmentation of respondents is, Gender, Age, Nationality and Occupation which are presented below:

Gender	Ratio
Male	67.9%
Female	32.1%

Table 1: Gender

Female travelers were not that popular a few years ago but recently it has started to grow and now it has a steady pace of getting better.

Age	Ratio
15-20 years	7.1%
21-30 years	83.9%
31 and above	8.9%

Table 1.2: Age

The age is a very important factor as tourists and travelers consist of different ages. But Bangladesh has a very few numbers of senior citizens who are tourists or travelers. Majority of the travelers are below 31 years old.

Nationality	Ratio
Bangladeshi	100%

Table: 1.3 Nationalities

All of the respondents were Bangladeshi.

Occupation	Ratio
Student	52%
Part time service holder/ Business owner	28%
Service holder	20%

Table: 1.4 Occupations

Majority of the tourists and travelers in Bangladesh are students. As they have a greater chance of tour and travel. The majority of respondents were students and others were different service holders.

Here is the descriptive statistics which provides the standard deviation and mean of the variables:

Variables	Mean	Standard Deviation
Do you think Domestic tourism is Suitable in the contrast of Bangladesh?	3.8909	1.24235
Do you think Domestic tourism will impact the economy of our country	4.2500	.69413
Do you think Bangladesh promotes wildlife safety enough?	1.9821	.79752
Do you think Bangladesh can promote Tourism through Wildlife	3.4286	1.29133
Is the government of Bangladesh taking necessary steps to preserve its wildlife?	2.8571	1.36753
Do you think Domestic Tourism is interrupting the ecosystem of wildlife?	3.3929	.80178
Are you aware about the wildlife of our country?	1.6071	.82415
Do you think we need to preserve Wildlife to promote Domestic Tourism?	1.2679	.64642
Can domestic tourism exist without wildlife?	2.1071	.67900

Table 2: Descriptive statistics

Table 2 represents the descriptive statistics which are mean value, standard deviation of the variables. Here all the variables are much diversified as there are various different values of mean which goes up to 4 and the standard deviation is less than 1. This indicates respondents had very different

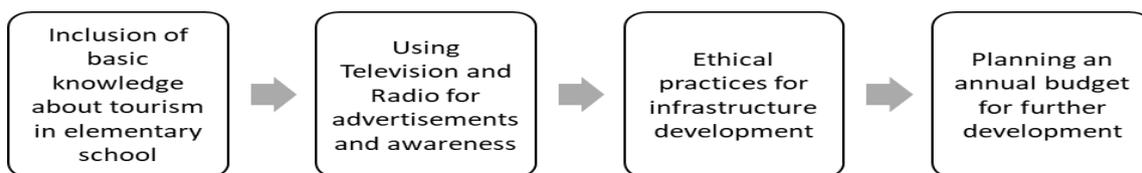
approaches to the statements. Most of the respondents strongly agreed with “Domestic tourism is interrupting the ecosystem” as mean is above 3 and respondents strongly disagreed with “Aware about wildlife as mean is 1. The standard deviation is also below 1 on a few variables which indicates the respondents more or less agreed and disagreed with the variables.

Discussions and Conclusion

This study was conducted on the basis of Bangladesh. This study indicates the gap between wildlife and society, especially tourism. Due to covid-19 WHO (World Health Organization) said that international tourism has been kept at halt. It has been decided that international tourism will be kept at halt till 22 and if covid-19 does not end the decision might get changed and the time might get longer. Usually when an epidemic happens the world changes the way of living and adjusts with the new flow. Bangladesh has also taken that step. This study has shown that some small steps made a huge change on domestic tourism. It improved by a good margin. But for some reasons Bangladesh is yet to provide the safety for wild animals. Some of the initials have already taken such as animal abuse into account and started to make various important changes. Besides those complications, Bangladesh has taken different steps to improve its domestic tourism and that’s when the term “Coexistence of wildlife with modern tourism” comes. For the past few years, many small businesses have started to build a great reputation for domestic tourism, and they have taken some initiative to educate the tourists for the sustainability of wildlife. They have made guidelines which are good for the locals as well as good for nature itself. From the study it has been found that the tourists and the locals are not yet aware of the situation. Pollution is one of the main concerns and it might cause severe problems in future. It shows that the majority of the people who are thought to be future tourists or those who are expected, or potential tourists are unaware of the term sustainable tourism. Sustainable tourism comes here as it includes all the key terms which are, “Modern Tourism, Domestic Tourism, Wildlife, and Nature. But setting aside sustainable tourism, we have an important matter which is the coexistence of wildlife. It is essential for the economy and the standardization of the tourism industry here in Bangladesh. Naturally, people in Bangladesh or the locals don’t know how to reserve wildlife or how it can be used or sustained.

Steps and initiative

There are some steps which are visible, and some are invisible. We have to change the idea of rebirth of wildlife or eco-friendly nature. The visible steps are given in a figure below:



Step chart 01

This study shows that Bangladesh has yet to learn the process of sustaining wildlife and developing tourism. Infrastructural development usually creates a lot of pollution and disruption on nature which affects directly to the wildlife. It can kill a river and also can demolish a forest. Infrastructural development is essential but for the sake of wildlife we have to create new improved ways.

Moreover, after opening a natural place for tourism people often use it differently rather than maintaining guidelines. Thus, we have to make few rules specifically for destinations which might lead to less pollution and disasters. This study shows local communities have knowledge about tourism but still have not accepted it. But that is only for international tourism. For domestic tourism, local people are very much hospitable. Rather than local people, tourism and tourism development are causing imbalance of the natural flow of wildlife and wildlife structure.

Limitation and direction for future research

Limitation

This study has many limitations as the study was conducted based only on the local and tourists. Fractions of information are out there to study, rather using total secondary data it was the first initial study of domestic tourism related to wildlife in the context of Bangladesh. The local people are still

conservative thus it becomes a great problem to conduct study. Many of the respondents tried to skip the questionnaire which caused problems in collecting data. Most of the data is collected from students and job holders. So, biasness was observed there. The study also can be further carried out using more statistical tools and diversified samples.

Direction for future research

Though, this research is conducted on primary data. In future the secondary data might be available for further data collection. The current condition of our society is very much changing rapidly with regular development of the world. Bangladesh is also adapting various new methods and areas which might lead to success in the near future. This study represents the condition of Bangladesh as it has been conducted through various subjects and samples. The study argues with the current system and steps of sustaining wildlife with tourism. It argues with the impact and comparative advantages. This study was initially conducted to find out the acceptability of the idea and indicates new directions and perspectives. It might get lots of qualitative research on some key elements such as ethical development, wildlife friendly environment and aware tourists. This might help gather the initial thinking of the local wildlife.

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Potential determinants of students' academic success in private tertiary education in South Africa

Riley Carpenter

Tracy Kraus

College of Accounting, University of Cape Town, South Africa

Key Words

Academic performance, accounting students, determinants of success, higher education, South Africa, private tertiary education

Abstract

Racial transformation is essential for the South African accounting profession. Consequently, adequate support is required for students pursuing the chartered accountant (CA(SA)) designation. This study examines determinants of success in private tertiary institutions in South Africa. The variables considered are demographic details (age, gender, and race), prior academic performance, prior tertiary institution, previous attempts, time lapses between undergraduate and postgraduate study, class format selection, use of technology and mentorship. While this study reviews prior work on private higher education, it is also innovative as it extends existing research by considering several variables which have not been investigated before in South Africa. The findings highlight the need for further empirical research on the determinants of success in private tertiary education to better support accounting students.

Introduction

In recent years there has been growing awareness in South Africa of the need for racial transformation of the accounting profession. Consequently, efforts have been made in the higher education sphere to assist promising students from a diverse range of ethnicities to pursue a professional accounting career. This is imperative, not only for the economic stability of the nation but also to promote equality and rectify the injustices of South Africa's past. While established residential universities have made considerable headway in this regard, private education providers also need to make a concerted effort in this field.

South Africa has made significant progress in tertiary education in recent years, including the increase in students attending university, particularly Black South Africans (South African Institute of Race Relations, 2019). However, this has not translated into equitable academic success, as measured by graduation rates (Neethling, 2015). The Department of Higher Education and Training (2014) uses the composite term 'Black' to refer to the racial descriptors of African, Coloured and Indian/Asian. Coupled with White, these racial descriptors are used for planning, monitoring, and funding in South Africa.

It is paramount to identify the factors affecting students' academic success in order to determine which students require support, how best to implement that support and when to start providing the support. Moreover, understanding success factors could also be used to assess the application of programmes and the allocation of available capacity to students at-risk. It may also provide a way of supporting students who would otherwise be deprived of the opportunity to pursue their accounting qualification.

If access to professional accounting qualifications can be widened to accommodate those previously excluded through innovative programme structure and the provision of additional support (financial and otherwise), it is hoped these measures will be translated into more equitable success in the country.

Private accounting programmes in South Africa are relatively new entrants onto the accounting education market. Consequently, there is limited research on such programmes in the country compared to established public universities. When investigating factors that lead to students' academic success, the private education sector provides a platform for considering variables that have received little or no research attention. These include prior tertiary institution, previous attempts at the programme, time lapse after undergraduate degree, daytime, or after-hours classes, use of technology and mentorship.

Using a directed content analysis of literature within the framework of Biggs' 3P model, this paper explores the determinants of student academic success in private tertiary institutions in South Africa.

Three research questions are addressed: (1) Why is it important to understand the factors affecting students' academic success? (2) How can the factors affecting student success be categorised? (3) What are the factors affecting students' academic success in South Africa, as reported in the literature?

This paper begins by considering why student success is important. Thereafter the research topic is contextualised within the theoretical framework of Biggs' 3P model, explaining how three sets of factors incorporate the determinants of success. Specific factors affecting students' academic success are then examined, focusing on private tertiary education. The conclusion, with limitations and areas for future research, wraps up the paper.

Methodology

Directed content analysis was used to consider potential determinants of academic success in private tertiary institutions in South Africa. While the goal of directed content analysis is usually to extend theory (Hsieh and Shannon, 2005), in this case, prior literature was used to collate, summarise and analyse studies to inform future research questions.

The sample selection began with an online search of the Google Scholar and University of Cape Town library databases. All works on determinants of academic success were identified and the abstracts were scrutinised for relevance. The final selection was then reviewed in terms of the three research questions.

Literature Review

Importance of understanding student academic success factors

In recent years, higher education institutions have made concerted efforts to improve their graduate rates. Consequently, research has focused on factors affecting either academic performance or degree completion. However, it has proven more difficult to measure certain academic success factors, notably, students' attitudes, strategies, skills and behaviours, which cannot be ascertained through grading, scores or standardised testing (Fook and Sidhu, 2015; York, Gibson and Rankin, 2015).

Frequently, researchers have measured success through students' academic performance, including achieving or exceeding a specified grade or grade point average (Letkiewicz, Lim, Heckman, Bartholomae, Fox and Montalto, 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). However, measuring student outcomes is limited in its approach. To be more comprehensive, other studies have expanded the variables to include students' personal development and integration into an institution's environment such as locus of control (Callaghan and Papageorgiou, 2015; Carpenter and Kunaka, 2018), student engagement (Zumbrunn, McKim, Buhs and Hawley, 2014), self-efficacy (Shamsoodien and Carpenter, 2020) or institutional culture (Lewin and Mawoyo, 2014).

To develop targeted interventions to assist students, it is paramount to first identify the determinants of academic success.

Biggs' 3P Model

Many factors could affect students' academic success in tertiary education. Biggs' 3P Model of student learning describes three sets of factors affecting student performance: (i) presage, (ii) process and (iii) product or performance (Biggs, 1985, 1987a, 1987b). The model has been used extensively in accounting education (Davidson, 2002; Papageorgiou, 2017; Pullen, Toerien and Anthony, 2015) as well as in other fields, for example, in educational psychology (Dart, Burnett, Purdie, Boulton-Lewis, Campbell and Smith, 2000; Zhang, 2000) and interprofessional collaboration (Freeth and Reeves, 2004).

Presage factors are independent of the learning environment. They include personal factors (e.g., intelligence, background, or demographics) or situational factors (e.g., subject content or course structure). Process factors relate to the student's study approach, which can be a surface, achieving or deep approach. Performance or product factors can be either cognitive (high-level informational structures or detail-oriented) or affected (how the student experiences learning) (Biggs, 1985).

Biggs (1987a) work mainly focuses on the learning approach adopted by students, although he does indicate that presage factors can be largely responsible for the development of the learning approach. Therefore, factors such as age, language, race, and locus of control determine the students' learning approach, which then affects their academic performance.

Typically researched personal presage factors

Substantial research has been performed in South Africa and internationally on student endogenous factors and their effect on academic performance at an undergraduate level. Factors identified include age, gender, race, home language, whether accounting was selected as a Grade 12 subject, performance in Grade 12 accounting, performance in Grade 12 mathematics and overall Grade 12 performance. However, there is limited research on factors affecting accounting performance at a postgraduate level or in professional accounting exams, let alone in private tertiary institutions.

Age

Studies at various South African higher education institutions on the impact of age on academic performance largely conclude that younger students outperform older students at both undergraduate level (Bokana and Tewari, 2014; Jansen and de Villiers, 2016; Müller, Prinsloo and du Plessis, 2007) and postgraduate level (de Hart, Dousse, Swanepoel, van Dyk, de Clercq and Venter, 2011; Steenkamp, 2014; Ungerer, Becker, Nieuwoudt, Swart and Wilcocks, 2013). Ungerer *et al.* (2013) found that students under 25 were 1.6 times more likely to pass their postgraduate accounting programme at Unisa on their first attempt than older students. A younger age is also significantly positively correlated with performance in the South African Institute of Chartered Accountants (SAICA) exams and other similar professional exams (Le Roux, 2017; Roos, 2009; van Wyk, 2011). This may be due to additional family commitments and responsibilities which older students bear (Aboo, 2017; de Hart *et al.*, 2011). In contrast, other studies conclude that age does not significantly influence performance at an undergraduate level (Papageorgiou, 2017) or that it does so only towards the end of undergraduate studies (Papageorgiou and Halabi, 2014).

A similar pattern emerges in the limited international research available. Koh and Koh (1999) in Singapore indicate that younger students outperformed their older counterparts in an undergraduate accounting degree. This is corroborated by Deschacht and Goeman (2015) in Belgium. Younger students have also been shown to perform better in professional accounting exams by Rodrigues, Pinho, Bugarim, Craig and Machado (2018) in Brazil. In contrast, Guney (2009) note that the older students perform better in an accounting undergraduate programme in the United Kingdom (UK) while Douglas (2017) reports no significant relationship between age and performance in professional accounting exams in Scotland.

Gender

There are contradictory findings related to the impact of gender on accounting academic performance. Both Jansen and de Villiers (2016) and Tewari (2015) indicate that male students outperform female students in undergraduate accounting courses at South African universities. However, Coetzee, Janse van Rensburg and Schmulian (2016) report the opposite in their study on the comprehension of the International Financial Reporting Standards among undergraduate students at a South African university. Similarly, both Le Roux (2017) and Roos (2009) indicate that females perform better in professional accounting exams. Yet other studies have found no correlation between gender and academic performance at other institutions (Bokana and Tewari, 2014; de Hart *et al.*, 2011; Papageorgiou, 2017; Papageorgiou and Halabi, 2014; Steenkamp, 2014) or in South African professional accounting exams (van Wyk, 2011).

Males were shown to outperform females at undergraduate level in Singapore (Koh and Koh, 1999) and in professional exams in Brazil (Rodrigues *et al.*, 2018). However, females perform better in professional accounting exams in Malaysia (Ismail, Mohammed, Ahmad and Yatim (2017), mirroring the findings of Douglas (2017) in Scotland. Overall, however, most international research concludes that gender is not significantly correlated with accounting academic performance (Byrne and Flood, 2008; Byrne, Flood and Griffin, 2014; Doran, Bouillon and Smith, 1991; Guney, 2009; Thorpe, Snell, Davey-Evans and Talman, 2017). Byrne and Flood (2008) posit that this may be the consequence of a more gender-balanced world of accounting education.

Race

Given South Africa's history of apartheid and the institutionalised disparities in educational opportunities along racial lines, it is unsurprising that there are significant differences between the academic performance of white students and that of other racial groups (Bokana and Tewari, 2014; Le Roux, 2017; Papageorgiou, 2017; Ungerer *et al.*, 2013). Ungerer *et al.* (2013) reports that white students in Unisa's postgraduate accounting programme were 2.2 times more likely to pass than Coloured or Indian students and 2.8 times more likely to pass than Black students. Sartorius and Sartorius (2013) note that Black students consistently underperformed in the old version of the first professional accounting exam during 2005–2010 compared to other races, although the performance gap slightly lessened over the period under review. Le Roux (2017) indicate that Black candidates are over four times more likely to fail the second professional accounting exam than white candidates. Barac (2015) stresses that the lack of workplace readiness and social support structures plays a significant role in failure in the old version of South Africa's second professional accounting exam.

Despite intensive efforts within the first two decades of South Africa's democracy in 1994 to widen tertiary access and provide student funding, student attrition rates remain high and throughput remains low (Kaburise, 2014). Substantial change is only likely once adjustments are made at either end of the tertiary education 'pipeline', by addressing the deficiencies in the secondary schooling system and ensuring that employment opportunities await successful graduates (Kaburise, 2014). Moreover, funding and financial aid play an important role in graduation rates and time-to-completion (Carpenter and Roos, 2020).

There is scant international research on the link between race and accounting academic performance, perhaps reflecting the lack of diversity in other countries compared to South Africa. Where such research exists, the results have been varied and inconclusive (Douglas, 2017; Guney, 2009).

Language

Linked to the impact of race on academic performance is that of home language. In South Africa, tertiary education is offered in only English and Afrikaans, just two of the nation's 11 official languages (van Wyk, 2011). Research suggests that a strong positive correlation exists between academic success and assessment in one's first language (Bokana and Tewari, 2014; de Hart *et al.*, 2011; Papageorgiou, 2017; Steenkamp, 2014; Swart and Becker, 2014). Ungerer *et al.* (2013) report that Unisa students assessed in their home language are 30% more likely to pass a postgraduate accounting programme at their first attempt than those who assessed in another language. In contrast, numerous studies note that Grade 12 language marks are not correlated with academic success at university. This is confirmed by Aboo (2017) at Unisa, Jansen and de Villiers (2016) at the University of the Western Cape and van Rooy and Coetzee-van Rooy (2015) at North-West University. At the University of the Western Cape, Pullen *et al.* (2015) indicate that while having English as a first language is not associated with success for undergraduate students enrolled in management accounting courses, it is of statistical significance at postgraduate level. They posit that this may be due to the greater requirement for interpretation and application of key principles in unfamiliar scenarios at postgraduate level, suggesting that home language may contribute to success at postgraduate level even if it plays an insignificant role at undergraduate level. Additionally, van Wyk (2011) found a strong positive correlation between students who were successful in South Africa's first professional accounting exam and those with Afrikaans or English as their first language (who were therefore able to sit the exam in their first language).

Interestingly, multilingualism may actually contribute to academic success (Martirosyan, Hwang and Wanjohi, 2015; Papageorgiou, 2017), which could apply to many South African students who are fluent in several languages. However, Rossouw (2018) found that more than a third of undergraduate Afrikaans accounting students would consider changing to English as their language of instruction.

Grade 12 subject selection and results

A number of studies report that students who took accounting as a subject in Grade 12 outperform those who did not have Grade 12 accounting in first-year accounting courses (Bokana and Tewari, 2014; Papageorgiou, 2017; Papageorgiou and Carpenter, 2019; Yanbarisova, 2014). This is supported by some international studies (Byrne and Flood, 2008) and contradicted by others (Douglas, 2017; Koh and Koh,

1999). It should, however, be noted that any advantage gained from selecting accounting in high school does not endure beyond the first year of undergraduate study, both in South Africa (Jansen and de Villiers, 2016; Papageorgiou and Halabi, 2014) and internationally (Doran, Bouillon and Smith, 1991), presumably as the content of second- and third-year accounting courses becomes more advanced.

Performance in Grade 12 mathematics has also been positively correlated with performance in South African undergraduate accounting courses (Bokana and Tewari, 2014; Papageorgiou and Halabi, 2014; Swart and Becker, 2014; Tewari, 2015). This is supported by Guney (2009) in the UK, Koh and Koh (1999) in Singapore and Ismail *et al.* (2017) in Malaysia. However, this correlation also declines towards the end of undergraduate studies and at postgraduate level (Jansen and de Villiers, 2016; Pullen *et al.*, 2015).

Overall performance in Grade 12 is strongly correlated with academic success at all levels of tertiary education (Bokana and Tewari, 2014; Jansen and de Villiers, 2016; Pullen *et al.*, 2015). However, van Rooy and Coetzee-van Rooy (2015) indicate that Grade 12 results are a strong predictor of success at university only for students who achieve an average of 65% or more. The prediction value of Grade 12 results is much weaker for students who achieve an average of less than 65%; some of these students go on to perform well at tertiary level while others fail. A possible explanation may be that other, more qualitative factors such as grit, motivation and maturity play a larger role in determining whether more marginal students succeed.

Prior academic performance

Numerous studies affirm that the single best predictor of academic performance at every level is academic performance in the immediately preceding year of study. This has been confirmed in South African undergraduate courses (Jansen and de Villiers, 2016; Papageorgiou and Halabi, 2014; Swart and Becker, 2014), postgraduate courses (Pullen *et al.*, 2015; Steenkamp, 2014; Swart and Becker, 2014) and professional exams (Dehrmann, 2013; van Wyk, 2011). Thus, progression requirements applied by most South African universities appear justified, as these tend to consider the most recent academic performance in determining whether students qualify to progress. The reason that prior performance is so strongly linked to academic success is likely due to the hierarchical knowledge structure applicable in an accounting context (Myers, 2017). These findings are confirmed by international research, both at university level (Archambault and Archambault, 2016; Byrne and Flood, 2008; Doran, Bouillon and Smith, 1991; Koh and Koh, 1999; Maksy and Wagaman, 2016) and in professional exams (Douglas, 2017; Rodrigues *et al.*, 2018).

Additional personal presage factors

This paper not only considers existing research but also expands on prior literature by contemplating hitherto unexplored presage factors. These include the institution at which the student's prior tertiary studies were undertaken; whether any time elapsed between the completion of the undergraduate degree and the commencement of the accounting postgraduate programme; and whether a postgraduate accounting programme had previously been attempted.

Prior tertiary institution

Most research on postgraduate studies has considered students at a single university (Papageorgiou, 2017; Pullen *et al.*, 2015; Steenkamp, 2014). Where distinctions have been made as to undergraduate institution, these have typically divided students into those who progressed through a given university and those who did not. For instance, in comparing the postgraduate accounting programme performance of students at the University of KwaZulu Natal (UKZN), Murray (2017) noted that those who had completed their undergraduate degree at UKZN performed significantly better than those who had done so at another university.

Although some universities accept students into a postgraduate accounting programme from other undergraduate institutions, given its nationwide accessibility, Unisa appears to be the only public programme to accept students from a wide range of undergraduate backgrounds. It is therefore well positioned to compare the performance of students from different undergraduate institutions. However, most research on accounting programmes at Unisa divides students into those who completed their undergraduate studies at Unisa and those who did so at other institutions (Sadler and Erasmus, 2005;

Swart and Becker, 2014; Ungerer *et al.*, 2013). This is despite the fact that the majority of Unisa postgraduate accounting students completed their undergraduate degrees full-time at other institutions (Aboo, 2017). The fact that Unisa provides solely distance education also introduces unique risks and places additional demands on students (Aboo, 2017; de Hart *et al.*, 2011; Ungerer *et al.*, 2013).

Research by Rodrigues *et al.* (2018) across the breadth of Brazil found a significant positive relationship between students' performance in professional accounting exams and the higher education institution at which they graduated. In fact, they found that prior higher education institution was even more strongly correlated with success in professional exams than prior academic performance. This highlights the value of similar research in a South African context.

Previous attempts and time lapses after undergraduate degree

For students pursuing the CA(SA) designation, non-academic factors such as geographical location, financial resources and marital status may play a significant role either in aiding or obstructing eventual success (Aboo, 2017; Carpenter and Roos, 2020; Roos, 2009). Such factors may result in students pausing along their path to qualification. They may also contribute to poor performance, requiring repetition of steps along the way.

In South Africa, there is scant research on the impact of multiple attempts at a postgraduate accounting programme or time lapses following completion of undergraduate studies on ultimate academic success in postgraduate accounting education or on the first professional accounting exam. Pullen *et al.* (2015) observes that students attempting the University of the Western Cape's postgraduate management accounting for the first time are more likely to succeed than those repeating the course. Furthermore, van Wyk (2011) notes a strong negative correlation between the length of time taken to complete both undergraduate and postgraduate studies and performance in the first professional accounting exam. van Wyk (2011) also indicates that candidates' chances of success in the first professional accounting exam are the highest at their first attempt and decrease with each additional attempt. This is supported by Sartorius and Sartorius (2013), who note that the chances of success in the first professional accounting exam are significantly reduced for students attempting the exam a second time or for those who take more than one year to complete the postgraduate accounting programme or write supplementary exams.

International studies have noted that the timing of courses may influence academic success. Archambault and Archambault (2016) identify a negative correlation between the time taken to complete a sophomore undergraduate course and academic performance in a senior undergraduate course at Marshall University in West Virginia. Surprisingly, Douglas (2017) notes that students who do not progress directly from university to their training contracts perform better in one of the professional accounting exams in Scotland, though only significantly so in financial reporting.

In summary, it appears that the longer it takes accounting students to successfully complete any leg of their academic journey, the less likely they are to reach their ultimate goal.

Situational presage factors

Class format selection

Situational presage factors include class format selection (i.e. whether the student engaged on a daytime (full contact) or after-hours (blended learning) track). Asarta and Schmidt (2017) define blended learning as ranging from small amounts of online material in a traditional classroom to purely online courses with no face-to-face interaction.

For private tertiary institutions offering this selection, the daytime cohorts would be exposed to a traditional, face-to-face, fully contact environment. The after-hours cohort would view all lectures as online recordings and only receive limited in-person contact sessions. Therefore, engagement through differing modes may influence academic performance.

Much international research has compared the performance of students in traditional learning environments to those exposed to a blended learning approach. Most findings reveal no statistically relevant difference (Aly, 2016; Baepler, Walker and Driessen, 2014), while others report that blended learning may actually improve performance (Vo, Zhu and Diep, 2017). However, when analysing the effect of learning mode against prior academic performance, Asarta and Schmidt (2017) note that stronger

students perform significantly better in a blended learning environment while weaker students perform significantly better in traditional classrooms. Mid-range students' performance remains unaffected. Deschacht and Goeman (2015) reveal that although blended learning has no significant effect on exam performance in general, there is a negative effect on exam performance in accounting courses. They conclude that this may be related to how blended learning was implemented in those particular courses.

Students' reasons for selecting the after-hours format over the daytime format may also influence their eventual performance. For example, some full-time students may choose to attend after-hours courses to keep active studying hours free during the day while working students would only be able to attend evening courses due to work commitments during the day. Surprisingly, research at Unisa has found that part-time students outperform full-time students at both undergraduate (de Hart *et al.*, 2011) and postgraduate level (Müller, Prinsloo and Plessis, 2007). Maksy and Wagaman (2016) concur, finding no negative association between working students and academic performance in Pennsylvania.

Use of technology

Several aspects of private tertiary accounting programmes differentiate them from other postgraduate accounting programmes in South Africa. The first is the widespread use of technology to streamline and modernise education. For example, at one institution, a mobile app was developed for students to record lecture and tutorial attendance; all assessments were scanned and marked; and social media was used to foster community among students and with lecturing staff (CA Connect, 2014). At Unisa, de Hart *et al.* (2011) indicate that integration with technology leads to a highly statistically significant improvement in student results. Therefore, extensive application of innovative technology in private tertiary accounting programmes is expected to improve performance.

Mentorship

Another distinguishing factor of private tertiary accounting programmes is the use of mentorship programmes to provide individualised, non-academic support to students (CA Connect, 2014). In the initial years of one such programme, students were asked to select a member of staff to act as their mentor. In 2017, this was extended, with alumni volunteering to mentor students, sharing insights into helpful studying approaches, and providing emotional support and encouragement. The ability to provide individualised mentorship may be due to the increased resources and lower student numbers in private institutions – for example, the Institute of Accounting Science had 159 students and Monash had 88 students write the first professional accounting exam in January 2020 while Unisa (distance-learning only) had 1,294 and University of Cape Town (largest residential university) had 375 students (SAICA, 2020). Social support plays an important role in student performance (Barac, 2015); therefore it is expected that mentorship would influence success in accounting programmes and professional exams.

Conclusion

This paper highlighted the importance of understanding factors affecting accounting students' academic success in private tertiary education. Cognisance of these factors will help universities devise more effective strategies.

According to Biggs' 3P model, many presage factors affect academic performance, namely, age, gender, race, language, and prior academic results. Because this study considered private institutions, additional presage factors included prior tertiary institution, number of previous attempts, time lapses between undergraduate and postgraduate degrees, class format selection, the use of technology and mentorship.

To date, South African research on determinants of success has concentrated on traditional universities, and not private tertiary institutions. All students seeking to qualify as CAs (SA) face an onerous qualification path. But for some, this journey is fraught with greater challenges. The onus is on educators to use the insights and technology at their disposal to offer meaningful interventions. Further research on this topic will assist educators and higher education institutions to tailor programmes to better support accounting students, thereby aiding transformation.

Limitations and areas for future research

The scope of this paper is limited to a literature review. Future research should empirically examine the factors identified as significantly affecting the academic performance of accounting students in private tertiary education, specifically in South Africa.

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Students' perceptions on the effectiveness of product placements: A case study of a private higher education institution in Durban

A. Koopman
S. Perumal
K. Perumal
M. Williamson
Z.E. Cebisa

University of KwaZulu-Natal, Westville Campus, South Africa

Keywords

Digital and social media advertising; Product placement; Sales promotions; Sponsorships; Traditional advertising.

Abstract

The aim of the study was to investigate students' perceptions of the effectiveness of product placements and to determine whether they are aware of product placements, whether they pay any attention to product placements and whether the exposure to product placements has influenced their purchasing behaviour in any way. This study adopted a quantitative research approach and employed the case study design; hence, the main focus of this study is on how students, based at private higher institution in Durban, perceive the effectiveness of product placement. The study was conducted at a private higher education institution with an estimated population of 1000; the sample size was 135. The form of non-probability convenience sampling method was employed. Although the form of non-probability sampling techniques is not common in quantitative studies, sufficient representation was ensured. Hence, the research results were able to be generalised from a sample to a population. Quantitative data was collected using the questionnaire method. SPSS statistical package was used to capture numerical data. The study also employed both descriptive and inferential statistics in order to infer the sample results to the entire population.

The quantitative data analysis results indicated that product placements are similar to traditional advertising in terms of capturing the audience's attention, developing positive feelings towards the product and recall when faced with a purchase decision. The study has also contributed immensely to the digital and social media advertising theory and practice.

Introduction

Product placement has been defined as the paid inclusion of branded products through audio or visual means and is generally found within mass media programming (Schmoll, Hafer, Hilt, and Reilly, 2006). Schmoll et al. (2006) have noticed a significant increase in the use of these promotional tactics, where companies are prepared to spend millions of dollars on such campaigns. The youth are perceived to be a lucrative market for many companies; as their purchasing power increases, so does their value to the organisation. This results in marketers at times competing aggressively to capture this group and to develop and maintain long-lasting and profitable relationships with them. According to Cowley and Barron (2008), product placements have significant advantages over traditional advertising. They hold that product placements are better than advertising in terms of memory and choice. Consumers are exposed to high volumes of marketing communication messages and the effectiveness of these promotional messages can thus be questioned (Williams, Petrosky, Hernandez, and Page Jr, 2011). Marketers are under increasing pressure to create awareness of their product/s and to stimulate an interest that will ultimately lead to the trial and adoption of the product.

The increasing popularity of reality television shows, such as "The Apprentice", has created opportunities for product placement; as marketers attempt to benefit from the success of well-known programmes, these programmes have the ability to stimulate interest and create excitement. Factors such as the consumer's resistance towards advertisements, which is largely due to their higher levels of scepticism, together with the fragmentation of traditional media and marketers' growing attraction

towards non-traditional media, have led to the adoption of this form of communication (Balasubramanian, Karrh, and Patwardhan, 2006).

The advancement of technology has given consumers, or viewers, more options. They now have the ability to zip, zap and mute communication messages, which has prompted marketers to think of unique ways to create exposure and a desire for their products. Approximately 43.6 million Americans are now using technology advancements such as digital video recorders (DVRs). According to Begy and Talwar (2016), the use of digital video recorders together with the legal/illegal streaming of non-commercialised content, has led to the ineffectiveness of the traditional “30 second spot” advertisement.

Problem Statement

Although marketers seem to have a dilemma and need to evaluate the value that product placements can bring. The changes in the technological environment have brought more options to consumers and has affected the manner in which students at private higher institutions perceive the effectiveness of product placement.

Hypotheses

H1: The awareness of product placements is significantly related to the students’ year of study.

H2: The awareness of product placements is significantly related to the faculty students belong to.

H3: There is a positive and significant relationship between the attention given to product placements and when a student has a pre-existing need.

H4: There is a positive and significant relationship between the attention given to product placements and when a student has a positive attitude towards the product.

H5: There is a significant relationship between feelings towards product placements when the student has a pre-existing need.

H6: There is a significant relationship between feelings towards product placements when the student has a positive attitude towards the product.

H7: There is a positive relationship between the recall of product placements and those placements that are considered to be more intrusive.

H8: There is a significant and positive relationship between product placements and purchasing behaviour.

Literature Review

This section provides an insight into the work of previous scholars regarding modes of product placements, attitudes towards product placements, advantages and disadvantages, product placements within emerging market and ethical concerns of product placements.

Modes of product placement

Product placement forms part of a larger segment of marketing services that fall under the banner of branded entertainment (Cowley and Barron, 2013). Placements can be unintentional and unpaid, voluntary and involuntary (Balasubramanian, Karrh, and Patwardhan, 2006). The process involves the integration of an advertiser’s product into selected media, most often television and films for clear visibility (Cowley and Barron, 2008). Although visible, the product is often not the focus as the viewers’ attention is usually on the plot or story line. Marketers need to ensure that there is a fit between the product or brand and the plot or scene of a film (Cowley and Barron, 2008). Lacroix and Martin (2013) have identified three product placement strategies; these include visual only, audio only and a combination of audio and visual.

Visual only – This involves the demonstration of a product, logo, billboard or other brand identifier without any accompanying message or sound. There is significant risk in this approach, as there is a strong likelihood that the product will not be noticed. The brand, the logo or the products of the firm are presented passively. The product placement forms part of the background and the benefits of the product are not communicated.

Audio only – The brand is not shown but is mentioned in film dialogue and carries the same risk as the visual approach. Typical examples of this approach include sponsorships of television programmes.

Combined audio-visual - This is a combination of the first two strategies. It requires more creativity, and the costs are higher. With this strategy, the brand, logo, firm, or product play a more active role in the scene and are expressed formally within the programme or plot. Lacroix and Martin (2013) pointed out that the benefits of the product are clearly communicated and as a result have a greater influence on viewers. An example of this can be found in the movie, "Harold and Kumar go to White Castle", where the brand name is mentioned and seen in the movie and also features in the title of the movie.

The ineffectiveness of visual only and audio only placements has led marketers to use a combined audio-visual approach. Although the combined approach is believed to be more effective in achieving organisational goals, the context in which the placement is shown has an impact on the reaction of the consumer (Gupta and Lord, 1998). Marketers thus have a dilemma and need to evaluate the value that product placements can bring. Audio-visual placements generate higher levels of recall, but the cost associated with this approach can be a limiting factor in its adoption.

Placements in any of the three modes can be said to be either prominent or subtle. Prominent placements refer to those in which the product is highly visible, largely due to its size, central positioning on the screen or integration into the plot of a movie or television programme (Gupta and Lord, 1998). Subtle placements receive less attention, they are not core to the plot and are sometimes mixed with other brands, in a scene limiting exposure and the ability to capture the attention of viewers. Subtle placements are often questioned in terms of the ability to meet marketing communication objectives. Marketers are often faced with a trade-off in terms of costs and the degree of prominence, as highly visible placements are more expensive to the organisation (Gupta and Lord, 1998).

The products central to the plot of a television episode were recalled more easily than those featuring in the viewer's peripheral vision (Nebenzahl and Secunda, 1993). Their research had a strong focus on the effectiveness of the various modes of product placement. Their findings revealed that product placements that were heard but not seen in the episode were better recognised than products that were seen but not heard. The decision of whether to make use of audio or visual placements and whether to have the product feature prominently and vividly in the plot of the episode or whether it should be featured peripherally is one that should be taken seriously by marketers and advertisers alike, as it can have a major impact on the return received from product placements (Lacroix and Martin, 2013).

Later research conducted by Homer (2009) evaluated consumers' attitude towards product placements with respect to the mode of placement used. Their findings were conclusive in that consumers' attitudes tend to depreciate when obvious product placements are repeated too often. Prominent placements are viewed as being distracting and less believable and realistic and seen as interfering with the plot line of the movie or programme. The repetition of prominent placements results in viewers developing a negative attitude towards the product or brand, as they become aware that the product is strategically placed for commercial gain, rather than being used legitimately in the plot.

Advertisers have believed that the use of prominent stimuli is effective in getting attention and enhancing attitudes but research by Homer (2009) was inconclusive in supporting this correlation. Homer (2009) acknowledges that product placement can have a positive effect on the consumer's memory but is largely ineffective in changing their attitude towards the product or brand. The research mentions the importance of the character that is featured with the product or brand. Favourable characters are likely to be more persuasive in influencing behaviour.

Figure 1: Modes of product placement

		Modes of Product Placement Appearance		
		Visual Placement	Audio Placement	Audio-Visual Placement
Degree of Obvious Product Placement	Prominent Placement	Prominent Visual Placement	Prominent Audio Placement	Prominent Audio-Visual Placement
	Subtle Placement	Subtle Visual Placement	Subtle Audio Placement	Subtle Audio-Visual Placement

(Gupta and Lord, 1998)

Attitudes towards product placements

In figure 1, attitudes seem to play a critical role in product placement appearance, whether it is visual, audio, or audio-visual placement. Attitudes can be described as hypothetical constructs, which cannot be seen, touched, heard, or smelled (Sabour, Pillai, Gistri, and Balasubramanian, 2015). Attitudes are typically associated with the feelings that an individual has developed, either positive or negative and serve as a means through which to evaluate someone or something (Gupta and Lord, 1998).

Marketing theorists often make reference to the three elements of attitudes, namely cognitive, affective, and behavioural (Nebenzahl and Secunda, 1993). The cognitive component refers to an individual's knowledge and perceptions that are acquired through direct experience. Knowledge, perception, and beliefs may not necessarily be true but as long as they are evident, they have the ability to influence consumer behaviour. The affective component relates to the feelings or emotions that an individual has developed towards a product or brand. These feelings are formulated from a variety of sources and dictate the level of attention a viewer gives to marketing communication messages. For example, if an individual has a negative feeling towards a particular brand of vehicle because of internet articles and negative stereotypes, they are less inclined to pay attention to advertisements and the product placement initiatives of that brand. The third element of attitude is behavioural. Behavioural component can be defined as the 'action' stage and is the sum of the earlier two components. If an individual has developed a positive perception of a brand and has a positive emotional connection, they are more likely to purchase products affiliated to that brand (Nebenzahl and Secunda, 1993).

Viewers have become more knowledgeable with regard to organisations' promotional tactics. Their level of scepticism and trust is indicative of their lack of belief. Higher levels of scepticism are usually accompanied by negative attitudes towards marketing communications in general, which can transcend into product placements (Kjærnested and Nielsen, 2012). Attitudes also affect the way in which individuals' judge and react towards other people, objects, and events (Parumasur and Roberts-Lombard, 2014). Attitudes towards advertising in general are thought to have an influence on both the attitude towards the particular advert and the attitude towards the brand. Consumers who have a positive attitude towards advertising are thought to have a more positive attitude towards the product or brand being advertised. Product placement as a form of marketing communication shares these properties (Gupta and Gould, 1997). Positive attitudes towards a product translate into the development of positive word of mouth, favourable perceptions, and higher levels of recall (Srivastava, 2016).

Advantages and disadvantages of product placements

There are significant advantages to using product placements within the overall marketing communication strategy (Górska-Warsewicz and Kulykovets, 2017). One of which is that the viewer is unable to avoid exposure. Higher levels of exposure are often associated with higher levels of recall (Cowley and Barron, 2008). Product placements can also result in viewers having a more positive attitude towards the brand as a result of the exposure. The exposure to any stimuli allows the viewer to formulate an image about a product or brand. The use of product placement can trigger the formulation of positive brand associations (Cowley and Barron, 2008). Furthermore, the cost accompanying the production of movies and television programmes can be excessive. Product placements are sometimes used to offset these costs, it has the ability to reach captive audiences, it can provide greater reach than traditional advertising and it features the brand usage in a natural setting. It is a strategy that could be adopted by products seen as unethical or those that are prohibited from featuring in traditional mass media due to strict advertising regulations (Kamleitner and Jyote, 2013).

Exposure of the product is a substantial advantage. This coupled with the DVD rental and film broadcasting of a movie, results in a communication strategy that can have a high level of impact. Film stars in the 21st century carry significant power and can influence consumer purchasing behaviour. With film attendees being exposed to the product and witnessing their favourite film stars using the product, the impact of a placement can be heightened. In addition, the costs associated with product placements are significant and the reach and exposure it is able to generate for a brand make it a good "value for money" strategy. Research conducted by Gupta and Lord (1998) concluded that viewers were able to recall 38% of products placed in featured films.

However, as with other forms of marketing communication there are noticeable weaknesses or limitations. One of the main limitations of product placements is the inability to truly measure the impact that it has on consumers. The over exposure of products, through advertising or any other communication tool including product placements, can change the viewers attitude towards the product or brand. This over exposure can inform viewers of the persuasive intent of the organisation, it interrupts their viewing experience and can result in a negative attitude forming towards the brand (Cowley and Barron, 2008). There are significant costs attached to product placements. The high absolute costs associated with this marketing communication method mean that this is not a viable strategy for many small organisations (Gupta and Lord, 1998). There is also substantial risk attached to product placements, as there is no guarantee that the product will be noticed by viewers.

The nature of this medium has evolved to a level where the competition between companies is intense. Higher levels of competition and the desperation of organisations to expose their products and brands have resulted in higher costs. Marketers and advertisers have little influence over the featuring of their product. The product may be used in an unfavourable scene or by an unfavourable character, which changes the viewer's mood and attitude towards the product and brand altogether (Kamleitner and Jyote, 2013).

Product placements within emerging markets

The saturation of markets within developed countries such as the United States of America (USA), France, Australia, and Japan, have resulted in marketers turning their attention to opportunities with developing countries (Srivastava, 2016). Numerous organisations have identified largely untapped consumer markets in parts of Africa, with limited competition. This compares favourably to the European market, which is characterised by a saturated market and lower population growth rates. Population increases, a growing middle class and increased levels of economic development have improved many African countries' market attractiveness.

There has been a limited amount of research conducted on product placements outside the USA and even fewer studies in emerging markets (Srivastava, 2016). Product placements in emerging markets such as India provide viable marketing opportunities, as the movie industry and the development of Bollywood reaches greater heights, its impact can extend to locations all over the world (Srivastava, 2016).

Emerging markets such as Brazil, India, Russia, China, and South Africa are of paramount importance for global brands. These markets often represent infinite possibilities and opportunities to expand a brand and build brand equity and brand loyalty. In India more than 1000 movies are released each year. This places pressure on marketers and advertisers to not only use product placements as a marketing communications approach but also to use it effectively to ensure that brand awareness, brand recall and brand equity are enhanced (Srivastava, 2016).

Research conducted by Srivastava (2016) in India concluded that the prominence of brand placements had a positive effect on brand memory. They emphasised that consumers were better able to remember brands that were placed in successful films. This highlights the need for marketers to not just place their products or brands in all movies, but to be strategic about choosing blockbusters. The research also highlighted the correlation between the length of the product placement and brand recall, with higher levels of exposure often generating higher levels of brand recall. However, marketers need to be mindful that high levels of exposure can result in irritation for the viewer, which ultimately leads to lower levels of brand equity and a negative association with the brand developing.

Ethical concerns of product placements

The issue of ethics is not limited to product placements but extends to all other forms of marketing communications, including advertising. Marketing communication has become notorious for pushing ethical boundaries and marketers and advertisers alike are often seen using deceptive practices to influence behaviour and induce a purchase. Some of the issues under the spotlight include truth in marketing communication advertising to children, promoting controversial products and providing substantiation for claims that are made (Can't and van Heerden, 2013).

The controversy surrounding product placements is enhanced by the fact that product placements represent a hybrid message comprised of advertising and publicity in which marketers or advertisers may appear to be working around advertising restrictions in other media, such as television (Khan, Mahmood, Lodhi, and Aftab, 2016). It is this level of deception that is frowned upon by critics. For example, some countries, including South Africa, have limited tobacco manufacturers from being involved in advertising and sponsorships (Gupta and Gould, 1997).

Ethical concerns regarding product placements are strongly linked to the fact that it is regarded as an element of marketing communications. Khan et al. (2016) concluded that the attitude that one develops towards a product has a positive relationship with the purchase intention. Therefore, those consumers who have a positive attitude towards a product or brand are more inclined to purchase that particular product. Another concern emerges from the fact that several critics believe that product placements have a negative economic impact in that moviegoers will develop a positive opinion of products that are associated with the glamour of Hollywood and ignore other, more product-centred factors.

Methodology

The study was undertaken with various tertiary students at a private higher education institution in Durban, utilising quantitative research methodology. The adoption of the quantitative research approach was informed by the research problem that the study intended to address. The study on the perspectives of students regarding product placement allows the research sample results to be generalised to the entire population (Keller, 2018). The case study research design was employed as the main focus was on students studying at private higher education institution. The research study employed non-probability sampling techniques and in particular, the convenience sampling method, where the researcher's plan involved selecting students who were on campus during a particular time frame. The use of convenience sampling meant that only those students who were on campus at the same time as the researcher had a chance of being selected to participate in the study. Non-probability sampling methods are known to be more time efficient, convenient, and cheaper, making them more suitable for researchers who require information promptly in order to make decisions (Wiid and Diggines, 2009). Creswell and Clark (2011) further argued that non-probability sampling techniques are not representative samples, however, such techniques can be adopted provided there is a sufficient representation of participants.

The campus itself has more than one thousand students from various ethnic and cultural backgrounds. These students are split across four faculties, namely, Commerce, Humanities, Information Technology and Social Sciences. The surveys were personally administered over the course of three days. A sample size of one hundred and thirty-five was chosen for this study, including students from all four faculties. A high percentage of students at the institution belong to the Faculty of Commerce, which is evident in the number of participants who belong to this faculty. A questionnaire using closed-ended questions and a 5-point Likert scale was designed and administered to students. Quantitative data was collected and analysed using the Statistical Package for the Social Sciences (SPSS) and MS Excel.

In terms of data analysis, the researchers used univariate analysis, which refers to the examination of only one variable at a time. Univariate analysis uses measures of central tendency and dispersion and particularly useful when describing a data set where much of the interpretation is left to the researcher (Wiid and Diggines, 2009). The nature of the research study being quantitative, allowed for the use of tables to indicate frequency, proportion or percentage and graphics such as histograms, frequency and polygons and pie charts. The data was essentially analysed using descriptive and inferential statistics. The Chi-square goodness of fit test was also used and is considered to be applicable where the researchers wish to examine the relationship or association between variables. The calculations in this kind of analysis are based on the two-way, cross-tabulation of the two variables. The Chi-square tests were used to assess whether the variables that were analysed are independent or dependent. The Chi-square test is only valid if the expected cell sizes are not too small. A rule of thumb is that no cell should have an expected frequency of less than 5 (Maree, 2007).

Binominal tests were also used in this study. They are mainly associated with tests where an experiment has two possible outcomes. In this study the binominal test was used to test whether a significant proportion of the respondents selected one of a possible two responses. This can be extended when data with more than 2 response options is split into two distinct groups. The use of t-tests was

extended to this study. T-tests are used when two independent groups need to be compared based on their average score on a quantitative variable (Maree, 2007). Two specific t-tests were used, namely one sample t-test and the independent sample t-test. The former was used to assess whether the mean score was largely different from that of the scalar and the latter was used to compare two independent groups of cases.

Discussion of Results

The table 1 below, presents demographical information of the research participants. This section is significant as the research seeks to determine if demographic variables affect the manner in which students perceive product placement.

Table 1: Respondents demographics

Variables	Category	Frequency	(%)	Variables	Category	Frequency	(%)
Gender	Male	58	43	Level of study	1 st year	73	54,1
	Female	77	57		2 nd year	40	29,6
					3 rd year	13	9,6
					Honours	9	6,7
Ages (Years)	18	21	15,6	Faculty	Commerce	91	67,4
	19	45	33,3		Humanities	18	13,3
	20	27	20,0		Information Technology	17	12,6
	21	21	15,6		Social Sciences	9	6,7
	22	9	6,7				
	23	5	3,7				
	24	0	0				
	25+	7	5,2				

Table 1 above, was the first section of the questionnaire which addressed the demographic information of respondents. The sample comprised of 57% female (77 respondents) and 43% male (58 respondents). In terms of age, 33,3% of respondents were 19 years old, which exemplifies the higher-class sizes amongst first year groups; 84,4% of respondents were between the ages of 18 and 21. The level of study of respondents was characterised as 54,1% first year students, 29,6% second year students, 9,6% third year students and 6,7% honours year students. In terms of the student's faculty, 67,4% of respondents belong to the Faculty of Commerce, 13,3% belong to the Faculty of Humanities, 12,6% belong to the Social Sciences Faculty and 6,7% of respondents belong to the Information Technology Faculty.

Major Findings

This section presents major findings which is based on interpretation of the p-value. This value provides guidelines on whether there is strong or weak evidence against the hypothesis.

Awareness

Although organisations spend infinite sums of money on strategically placing their products in movies, series, and other media, only 76 (56%) of the respondents were aware of the concept of product placement and that companies and brands use these tactics extensively to appeal to their target market. The level of awareness was further analysed per faculty and per year of study. The results revealed that there is a significant relationship between the awareness of product placements and the level of study $\chi^2(3) = 10.315$, $p = .016$. This alternate hypothesis is accepted. There is weak evidence that the relationship between awareness of product placement and level of study are likely to exist. All Honours students indicated that they are aware of the concept of product placements, while a significant number of those not aware are in their 2nd year of study.

Results further revealed that there is a significant relationship between awareness of product placements and the faculty a student belongs to $\chi^2(3) = 9.984$, $p = .019$. This hypothesis is accepted against

null. There is weak evidence that the relationship between awareness and the faculty students belong to might not exist. The majority of students belonging to the Faculty of Social Sciences indicated that they were not aware of product placements. This statistic could be as a result of these students not completing any Business Management or Marketing Management modules in their qualifications and subsequently not being exposed to the concept. This finding contradicts literature findings. Soba and Aydin (2013) and, Russell and Rasolofoarison (2017) argued that humankind is exposed to product placement in mainstream media, occasionally even without knowing it.

Attention

The results indicated that more attention is paid to product placements when: a) there is a pre-existing need ($M = 3.87$, $SD = .718$), $t(75) = 10.541$, $p < .0005$. This alternate hypothesis is accepted in favour of null hypothesis as there is a very strong evidence that under no circumstances less attention can be paid to product placements when there is a pre-existing need; b) there are positive attitudes towards the product ($M = 4.04$, $SD = .824$), $t(75) = 11.002$, $p < .0005$; c) a celebrity is featured in the product placement ($M = 3.54$, $SD = 1.012$), $t(75) = 4.645$, $p < .0005$; d) the product placement is well positioned ($M = 4.01$, $SD = .626$), $t(74) = 14.002$, $p < .005$; e) the product placement is more intrusive ($M = 3.67$, $SD = .755$), $t(75) = 7.746$, $p < .0005$ and, f) when exposed to how the product is used ($M = 3.87$, $SD = .660$), $t(75) = 11.468$, $p < .0005$.

Recall

There is consensus that students are: a) able to recall product placements ($M = 3.88$, $SD = .692$), $t(75) = 11.103$, $p < .0005$; b) able to recall product placements when a celebrity is featured ($M = 3.87$, $SD = .838$), $t(75) = 9.033$, $p < .0005$; c) able to recall product placements that are more obvious or intrusive ($M = 4.05$, $SD = .764$), $t(75) = 12.010$, $p < .0005$; d) able to recall product placements better when they have a positive attitude towards the product ($M = 4.16$, $SD = .910$), $t(75) = 11.093$, $p < .0005$; e) able to recall product placements better when they have a pre-existing need ($M = 4.09$, $SD = .769$), $t(75) = 12.380$, $p < .0005$. This hypothesis is accepted as there is strong evidence against the null hypothesis which state that students are unable to recall product placement. The findings support literature. Soba and Aydin (2013) certain brands that are given priority and thus one would easily locate within the scene of a movie, T.V programme, radio or other mediums of communication, there are also those that are given less significance and remain blurred somewhere in the background. Frequency is also important factor.

Purchase behaviour

In terms of purchasing behaviour, results indicate that students have been persuaded to purchase a product after being exposed to it via product placements ($M = 3.49$, $SD = .916$) $t(75) = 4.631$, $p < .0005$. This hypothesis is accepted. There is a strong evidence that no way that the students purchase behaviour cannot be triggered by exposure via product placements. Findings supports the literature as Redondo and Bernal (2016) and, Cowley and Barron (2008) confirm that the use of product placement can trigger the formulation of positive brand associations, which in turn influence the purchase behaviour.

Results indicated that students do feel, to a large extent, that product placements are effective, as it has the potential to improve the awareness of a product and allows potential customers to recognise the products in a store. Furthermore, product placements may subconsciously create a desire to purchase the product. From the statistics gathered, organisations need to enhance students' perceptions of product placements. Findings have revealed that it is important when using product placements that the intended target audience can relate to the product and the lifestyle it encourages. In order to improve perceptions, marketers can demonstrate how the product is used, making sure to emphasise the product's main features in a practical way. Ultimately, when choosing to target students, it is important to use product placements effectively and choose to promote a product that fits in with their lifestyle. Products that consumers can relate to and consider useful are ultimately those that they purchase.

Further conclusions revealed that students who participated in this study felt that, as companies spend large sums of money on these promotional campaigns, the product placements need to be obvious and include a favourable character or celebrity.

Study limitations

A major limitation of this research study is that data was only collected from one private higher education institution in the Durban region and the results cannot be generalised to depict the views of the entire student body studying at other institutions in South Africa.

Suggestions for future research

This study adopted a quantitative research approach. In future, the study on how students perceive the effectiveness of product placements may be conducted in another context by adopting qualitative research approach, which will allow the use of other instruments such as interviews and the use of focus group in order to obtain a qualitative insight.

Conclusion

The results from the study indicated that 76 (56%) of the respondents are aware of the concept of product placements and identified that organisations and brands spend a significant portion of their marketing communication on such efforts. This 56% is aware that companies strategically place products in a variety of media, such as movies and television programmes. Results indicated that Honours students were more aware of product placements than a greater number of students in their second year of study who were unaware of product placements. In addition, most students within the Faculty of Social Sciences were not aware of the concept. While the research indicated that students do pay attention to product placements, it also revealed that the respondents have selective attention and were more likely to pay attention to product placements when: they have a positive attitude towards the product, the product placement is well positioned and when they are exposed to how the product is used.

The results from the quantitative data analysis indicated that students were more likely to interpret the message in a positive way and develop positive feelings towards product placements when: they have a positive attitude towards the product, they have a pre-existing need; they are exposed to how the product is used and when the product placement is well positioned. The results indicated that students are able to recall products that are strategically placed in movies and television programmes but are able to recall them better when: the product placement is more intrusive; they have a positive attitude towards the product, and they have a pre-existing need.

The aim of this study was to investigate students' perceptions of the effectiveness of product placements and whether product placement is a viable marketing communication tool to use when targeting younger consumers such as students. Based on the results, it appears that most of the respondents are aware of product placements and have been persuaded to purchase a product after being exposed to a product placement. Considering that companies spend large sums of money developing such campaigns, marketers and advertisers perhaps need to first consider the use of other promotional tools in conjunction with product placements, when targeting the student population.

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Appraisal of the problems affecting microfinance banks in emerging economies and the mitigating factors: Nigeria's experience.

Israel S. Akinadewo
Ebenezer Y. Akinkoye
O. O. Olasanmi

Department of Management & Accounting
Obafemi Awolowo University, Ile-Ife, Osun State, Nigeria

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Entrepreneurs, Funding, Microfinance banks, Mitigating factors, MSMEs.

Abstract

This study appraised the problems of microfinance banks in Nigeria and evaluated the mitigating factors. Survey research design through the administration of structured questionnaire was adopted for data collection. The targeted population was 250 microfinance banks operators and micro, small, and medium entrepreneurs. The respondents validly returned 223 copies of the questionnaire. Descriptive statistics like table, mean, standard deviation and percentages were used for data analyses. The findings revealed that high operating and financial expenses (99.6%); low revenue base (99.6%); lack of effective corporate governance (99.6%); lack of standard and uniformity in financial transactions (99.6%); insiders' abuse (99.6%); and ineffective monitoring of the allocated funds to ensure the utilisation as intended (99.6%) are highly critical among the twenty identified problem confronting microfinance banks in Nigeria. The results also showed that majority of the respondents believed that among the twenty identified mitigating factors to the problems of MFBs in Nigeria, timely preparation of financial statements (99.6%); adoption of cost efficiency mechanism (99.6%); investing more on information technology for enhancement of operations (99.6%); standardisation of the quality, experience and qualifications of management of microfinance (99.6%); and effective background check of staff and customers are the most important. The study therefore recommends the need for government to evaluate these findings and timely deploy the mitigating factors for the enhancement of the growth of microfinance banks in Nigeria.

Introduction

In recent years, scholars have showed increased interest in microfinance banks. Historically, the efficient administration of these non-conventional banks is considered a key factor to the growth of Micro, Small and Medium Enterprises (MSMEs). This is achieved through the granting of credits. Evidence suggests that most of the successful economies have attained this through MSMEs (Bakare, 2019). In Nigeria, microfinance bank was established and designed as specialised institution to promote grassroots banking in attaining rapid rural and entrepreneurial development (Obadeyi, 2015). It also emerged in the nation's economic fora as a noble substitute for informal credit system being in operation in rural areas, and to serve as an effective instrument for poverty reduction among the economically deficient and vulnerable people (Nwude and Anyalechi, 2018; Taiwo et al., 2016; Nwachukwu et al., 2017). Consequent to this, the expected growth of the micro and medium businesses would arguably be achievable through a strong financial base and efficiently managed Microfinance Banks (MFBs). Despite the expected positive impact of these banks to MSMEs in Nigeria, there has been sceptical belief that this has been attained. This doubtful position was reinforced in the literature of the operational problems and other issues that fundamentally affect the development of microfinance banks in Nigeria.

According to Akande and Yinus (2015), microfinance industry is challenged in several ways. These include the need to extend its products and services to the greater number of the poor; high operating cost; repayment problem; inadequate experienced credit staff; lack of refinancing facilities, etc (Akande and Yinus, 2015; Alalade et al., 2013). In furtherance of this, Ehigiamusoe (2005), cited by Alalade et al. (2013) argued that it is only efficient institutions that can reach large number of people for substantial impact on poverty. Questions have also been raised about the survival of MFBs amidst the problems hindering the efficiency of their activities. Regarding this, it is also uncertain whether microfinance has

impacted in the reduction of poverty for economic growth (Moruf, 2013). Scholars have also argued that to achieve a sustainable performance, the banks should devise the necessary strategies to combat the problems confronting them (Alalade et al., 2013). To substantiate for the need to proffer solution to the hindering factors, Reusser and Stebler (1997) opined that every word problem has a solution. Thus, it is then imperative to identify the solution to the identified problems of microfinance banks.

Studies have recognised the problems of microfinance banks though, but there is still paucity of research on a systematic identification of specific problems and the associated mitigating factors. Most of these studies have also been limited to a small number of problems and have failed to provide robust solutions to these. The aim of this paper therefore is to identify twenty problems and twenty mitigating factors, and to empirically appraise these from the perception of the stakeholders.

Review of related literature and theoretical framework

Microfinance banks in Nigeria were established and regulated by the appropriate authorities to primarily bridge the lacuna between small businesses and accessibility to funding. It is one of the measures of strategic approach to the enhancement of capacity building, in human resources and industrial development of a social environment (Obasi et al., 2014). Regarding this, Ashamu (2014) argued that the MFBs were established to be financially sound, stable, self-sustaining and integrate effectively in the communities of their operations. Obokoh et al. (2016) argued in line with Ashamu (2014) that the objective for the ushering of MFBs into the financial arena in Nigeria was to make them vehicles for social-economic growth and rural transformation. The scholars further opined that the intent was to reduce the burden of high interest rates and other financial charges hitherto charged by conventional banks, and to provide financial, advisory, technical, and managerial supports for small scale enterprises. Dutse et al. (2013) also believed that the primary objective for the establishment of MFBs is the provision of financial services to entrepreneurs of MSMEs in improving the socio-economic condition and their income-generation activities. Expectedly, these assertions should translate to rapid development for small scale businesses entrepreneurs, but evidence from the literature suggests otherwise.

Regarding this, Andabai and Jessie (2018) believed that the activities of microfinance banks have not significantly contributed to the growth of small-scale businesses in Nigeria. To these scholars, premium should be placed on ethical and professional conducts by ensuring that soft loans are given to credible and promising entrepreneurs. The position of Andabai and Jessie (2018) is slightly in agreement with the study of Aliu et al. (2015). While Andabai and Jessie had concern over ethical and professional conducts, Aliu et al. (2015) argued that over 70% of small-scale businesses still faced difficulties in accessing credit facilities from microfinance banks. Contributing to this, Sussan and Obamuyi (2018) agreed with Andabai and Jessie (2018) and Aliu et al. (2015) that microfinance bank has not significantly impacted on the development of entrepreneurship in Nigeria. In the study conducted by Sussan and Obamuyi (2018), it was argued that there are problems militating against the effective financing of entrepreneurs by the microfinance banks. According to these authors, those problems hinder the attainment of the objectives of MFBs in Nigeria. Sussan and Obamuyi (2018) further postulated that the microfinance banks still have a lot to do to substantially increase the funding of small-scale businesses for effective and positive impact on economic growth. Obasi et al. (2014), while agreeing with this, opined that microfinance industry has not really distinguished itself from the practices of other community banks in terms of credit to enhance the growth of small-scale entrepreneurs.

In contrast, Murad and Idewe (2017) opined that in the short run, microfinance loans will positively and significantly improve economic growth in Nigeria. Murad and Idewe (2017) further postulated that in the long run, microfinance do not have a significant impact on economic growth. Ailemen et al. (2016) however argued that the challenges facing MFBs are global and are the causes for their inability to realistically achieve their objectives.

According to Ailemen et al. (2016), these challenges include - consideration for cost management; efforts to reach increasingly poorer and more remote people; the need to scale up the quality of MFBs service deliveries; optimisation of technology; infrastructure deficiency; low level of leveraging cross-border remittances of funds and other remote rural transfers; and difficulty in reaching the expected beneficiaries of MFBs services in the remote areas. In the review of literatures, Abubakar et al. (2015) argued that the quantum of problems hindering the activities of MFBs are - problems of regulation,

inaccessibility of services to the poor, capital inadequacy, demand, and supply gap in the provision of micro credit and micro saving, high transaction cost, non-availability of documentary evidence, and problem of repayment tracking. The study of Abubakar et al. (2015), which was not empirically based, suggests government intervention through participation in the area of infrastructure, employment of the right caliber of staff, products diversification, associating with the right clients with high sense of integrity as some of the measures needed to tackle the challenges of MFBs.

Deviating from the issues affecting MFBs, Ademoh and Zivkovic (2017) believed that the problems should rather be from the expected beneficiaries of the services. These scholars asserted that some small-scale entrepreneurs hardly approach MFBs for loans due to lack of collateral, ignorance of the existence of these banks, and the inability to meet up with high interest rate. Ademoh and Zivkovic (2017) further opined that businesses are ignorant of the existence of MFBs due to the latter's lack of advertising their services and the small business entrepreneurs lack the understanding of the significance of these banks. What is striking in this paper that also differentiates it from the reviewed studies is the empirical identification of the problems of MFBs in Nigeria and the relevant solution thereof.

To theoretically explain the focus of this study, it is globally acknowledged that funding is key to the survival and growth of businesses. Khan (2020) meanwhile, states that elementary corporate finance theory believes that investment project should be undertaken when the net present value is positive. Despite this, availability of finance is a critical factor for consideration in any planned project. While the reviewed studies showed that the primary objective of MFBs is to support the activities of MSMEs, the challenges faced by the former have become the interruptive factor against effective support for the financial and other needs of the latter. Thus, it could be deduced that whenever MFBs face challenges, the MSMEs suffer. This conforms with the elementary accounting principle of double entry (every debit must have a corresponding credit), the economics theory of demand and supply, and the accounting, as well as the normal life principle of – where there is a giver, then there will be a receiver. It then implies that where the expected giver is lacking, then the expected receiver will be waiting in vain. This position explains the justification for this study to also proffer solution to the identified challenges facing MFBs in Nigeria.

Methodology

This study adopted research design method. Self-administered and structured questionnaires were administered on respondents. The targeted population and the sample size were 250 microfinance operators and micro, small, and medium entrepreneurs in Lagos State, Nigeria. The respondents were purposively chosen from Lagos State, being the commercial hub of Nigeria and has the largest concentration of microfinance banks and MSMEs in Nigeria. Meanwhile, only 223 (89.2%) respondents validly returned the questionnaire. Descriptive statistics were utilised to analyse data.

Data presentation, analysis, and discussion of findings

This section presents and discusses the results of the valid responses received from the respondents. These were perceptually on the problems affecting microfinance banks in Nigeria and the likely factors for mitigation. This study used the 5-points Likert scale to enable the respondents select the relevant columns divided into strongly agree (SA - 5), agree (A - 4), undecided (U - 3), disagree (D - 2), and strongly disagree (SD - 1). The perception of the respondents, to empirically identify twenty (20) problems of microfinance banks in Nigeria and twenty (20) mitigating factors were appraised using tables, percentage, mean and standard deviation. To make the discussion of findings much easier, the responses under SD and D were grouped under a column, the U scale has a separate column, and A and SA, grouped in same column.

Table 1 shows the descriptive results of the perception of the stakeholders on the problems that have hindered the growth of microfinance banks in Nigeria. The structured problems identified and sent through questionnaire to respondents for appraisal are – high operating and financial expenses; low revenue base; lack of effective corporate governance; insufficient expertise; inadequate start-up capital and poor funding; ineffectiveness of policy framework and regulatory monitoring; inability to adequately extend funding to the larger number of poor citizens and small businesses; high level of non-performing loans due to poor collateral; inefficient management; low funding of real sector like agriculture and manufacturing; diversion of funds; inconsistencies of government policies; lack of standard and

uniformity in financial transactions; insufficient publicity and awareness at the grassroots; insiders' abuse; inadequate business opportunities; low literacy of the expected target, leading to difficulty in effective communication; poor data base of the expected fund target; fraudulent practices and corruption in the industry; and ineffective monitoring of the allocated funds to ensure the utilisation as intended.

Interestingly, all the identified problems in table 1, were appraised and agreed with by the majority of the respondents as hindrances to the growth of microfinance banks in Nigeria, but with slightly different ratings ranging from 97.8% to 99.6%. This implies that these problems are hugely responsible for the inability of Microfinance banks in Nigeria to achieve the purpose for the establishment. The respondents, however, appraised: high operating and financial expenses (99.6%); low revenue base (99.6%); lack of effective corporate governance (99.6%); lack of standard and uniformity in financial transactions (99.6%); insiders' abuse (99.6%); and ineffective monitoring of the allocated funds to ensure the utilisation as intended (99.6%) as the most critical of the problems.

Table 1: Problems affecting microfinance banks in Nigeria.

Factors	N	SD + D	U	A + SA	Total	Min.	Max.	Mean	Std. Dev.
High operating and financial expenses	223	1(0.4%)	0(0.0%)	222(99.6%)	223(100%)	1.00	5.00	4.7265	.50365
Low revenue base	223	0 (0.0%)	1(0.4%)	222(99.6%)	223(100%)	3.00	5.00	4.6502	.48731
Lack of effective corporate governance	223	0.0(0.0%)	1(0.4%)	222(99.6%)	223(100%)	3.00	5.00	4.4933	.50999
Insufficient expertise	223	0 (0.0%)	2(0.9%)	221(99.1%)	223(100%)	3.00	5.00	4.4260	.51346
Inadequate start-up capital and poor funding	223	1 (0.4%)	2(0.9%)	220(98.7%)	223(100%)	2.00	5.00	4.4439	.54131
Ineffectiveness of policy framework and regulatory monitoring	223	2 (0.9%)	1(0.4%)	220(98.7%)	223(100%)	2.00	5.00	4.5695	.55618
Inability to adequately extend funding to the larger number of poor citizens and small businesses	223	2 (0.9%)	1(0.4%)	220(98.7%)	223(100%)	2.00	5.00	4.5471	.55854
High level of non-performing loans due to poor collateral	223	2 (0.9%)	1(0.4%)	220(98.7%)	223(100%)	2.00	5.00	4.6188	.54773
Inefficient management	223	1 (0.4%)	4(1.8%)	218(97.8%)	223(100%)	2.00	5.00	4.5561	.55770
Low funding of real sector like agriculture and manufacturing	223	1 (0.4%)	4(1.8%)	218(97.8%)	223(100%)	2.00	5.00	4.6188	.54773
Diversion of funds	223	1 (0.4%)	4(1.8%)	218(97.8%)	223(100%)	1.00	5.00	4.5740	.57941
Inconsistencies of government policies	223	2 (0.9%)	3(1.3%)	218(97.8%)	223(100%)	1.00	5.00	4.5874	.59292
Lack of standard and uniformity in financial transactions	223	0 (0.0%)	1(0.4%)	222(99.6%)	223(100%)	2.00	5.00	4.5785	.52150
Insufficient publicity and awareness at the grassroots	223	1 (0.4%)	1(0.4%)	221(99.2%)	223(100%)	2.00	5.00	4.6637	.51015
Insiders' abuse	223	1 (0.4%)	0(0.0%)	222(99.6%)	223(100%)	2.00	5.00	4.6009	.51762
Inadequate business opportunities	223	2 (0.9%)	0(0.0%)	221(99.1%)	223(100%)	2.00	5.00	4.6054	.54224
The low-level literacy of the expected targets, leading to difficulty in effective communication	223	4 (1.8%)	1(0.4%)	218(97.8%)	223(100%)	2.00	5.00	4.5426	.60533
Poor data base of the	223	3 (1.4%)	1	219	223(100%)	2.00	5.00	4.5964	.57609

expected funds target			(0.4%)	(98.2%)					
Fraudulent practices and corruption in the industry	223	1 (0.4%)	3 (1.4%)	219(98.2%)	223(100%)	2.00	5.00	4.5112	.55232
Ineffective monitoring of the allocated funds to ensure the utilisation as intended	223	1(0.4%)	0 (0.0%)	222 (99.6%)	223(100%)	2.00	5.00	4.7175	.48025
Valid N (listwise)	223								

Source: Authors' field work (2020)

Table 2 explains the rating of the factors that could mitigate the problems of microfinance banks in Nigeria. The factors are: timely preparation of financial statements; adoption of cost efficiency mechanism; development of sound microfinance practice with sustainable regulatory framework; timely prosecution of fraudsters; introduction of more effective internal control system; investing more on information technology for enhancement of operations; improvement on the know-your-customers (KYC) information guidelines; standardisation of the quality, experience and qualifications of management of microfinance banks; effective background check of staff and customers; timely investigation of any undercapitalisation below the lower limit; the need for government and other stakeholders to inculcate sound banking culture in management and customers; increase in revenue base through products diversification; creation of more awareness to the poor and small businesses; the need for more workshops and training programs for microfinance staff; building of investors' confidence through government participation in areas like provisions of security and infrastructure; the need for a more proactive corporate governance framework; government should be more consistent with policies; appropriate tax incentives for MFBs to enhance business growth; government should establish a more reliable data collection of small businesses in need of funds; and the need for effective monitoring of how loans given to customers are utilised through appropriate management-customer forum.

The results in table 2 showed that majority of the respondents agreed that these mitigating factors, when deployed, will mitigate the problems confronting microfinance growth in Nigeria. This is affirmed with the sum of the percentage for agreed (A) and strongly agree (SA) ranging from 97.4% to 99.6%. The respondents however opinionated that: timely preparation of financial statements (99.6%); adoption of cost efficiency mechanism (99.6%); investing more on information technology for enhancement of operations (99.6%); standardisation of the quality, experience, and qualifications of management of microfinance (99.6%); and effective background check of staff and customers are the most important among the mitigating factors.

Table 2: Mitigating factors of the problems affecting microfinance banks in Nigeria.

Factors	N	SD + D	U	A + SA	Total	Min.	Max.	Mean	Std. Dev.
Timely preparation of financial statements	223	1 (0.4%)	0 (0.0%)	222 (99.6%)	223 (100%)	2.00	5.00	4.7623	.45719
Adoption of cost efficiency mechanism	223	1 (0.4%)	0 (0.0%)	222 (99.6%)	223 (100%)	2.00	5.00	4.5695	.52278
Development of sound microfinance practice with sustainable regulatory framework	223	2 (0.9%)	2 (0.9%)	119 (98.2%)	223 (100%)	2.00	5.00	4.6143	.77443
Timely prosecution of fraudsters	223	1 (0.4%)	2 (0.9%)	220 (98.7%)	223 (100%)	2.00	5.00	4.3857	.53201
Introduction of more effective internal control system	223	2 (0.9%)	0 (0.0%)	221 (99.1%)	223 (100%)	2.00	5.00	4.4619	.55111
Investing more on information technology for enhancement of operations	223	0 (0.0%)	1 (0.4%)	222 (99.6%)	223 (100%)	3.00	5.00	4.5426	.50824
Improvement on the know-your-customers (KYC) information guidelines	223	1 (0.4%)	1 (0.4%)	221 (99.2%)	223 (100%)	2.00	5.00	4.5381	.53451
Standardisation of the quality,	223	1	0	222	223	2.00	5.00	4.4619	.52602

experience, and qualifications of management of microfinance banks		(0.4%)	(0.0%)	(99.6%)	(100%)				
Effective background check of staff and customers	223	1 (0.4%)	0 (0.0%)	222 (99.6%)	223 (100%)	2.00	5.00	4.4619	.52602
Timely investigation of any undercapitalisation below the lower limit	223	2 (0.9%)	5 (2.2%)	216 (96.9%)	223 (100%)	1.00	5.00	4.4888	.61411
The need for government and other stakeholders to inculcate sound banking culture in management and customers	223	3 (1.3%)	1 (0.4%)	219 (98.3%)	223 (100%)	2.00	5.00	4.4574	.58257
Increase in revenue base through products diversification	223	3 (1.3%)	3 (1.3%)	217 (97.4%)	223 (100%)	2.00	5.00	4.4529	.59750
Creation of more awareness to the poor and small businesses	223	4 (1.8%)	0 (0.0%)	219 (98.2%)	223 (100%)	2.00	5.00	4.4395	.59628
The need for more workshops and training programs for microfinance staff	223	1 (0.4%)	1 (0.4%)	221 (99.2%)	223 (100%)	2.00	5.00	4.6009	.52625
Building of investors' confidence through government participation in areas like provisions of security and infrastructure	223	2 (0.9%)	0 (0.0%)	221 (99.1%)	223 (100%)	2.00	5.00	4.5919	.54469
The need for a more proactive corporate governance framework	223	3 (1.3%)	1 (0.4%)	219 (98.3%)	223 (100%)	2.00	5.00	4.6637	.56063
Government should be more consistent with policies	223	1 (0.4%)	1 (0.4%)	221 (99.2%)	223 (100%)	2.00	5.00	4.6143	.52348
Appropriate tax incentives for MFBs to enhance business growth	223	1 (0.4%)	0 (0.0%)	222 (99.6%)	223 (100%)	2.00	5.00	4.7040	.48614
Government should establish a more reliable data collection of small businesses in need of funds	223	0 (0.0%)	3 (1.3%)	220 (98.7%)	223 (100%)	3.00	5.00	4.5964	.51847
Effective monitoring of how loans given to customers are utilised through appropriate management-customer forum	223	0 (0.0%)	3 (1.3%)	220 (98.7%)	223 (100%)	3.00	5.00	4.7803	.44637
Valid N (listwise)	223								

Source: Authors' field work (2020)

Conclusion and policy recommendations

Microfinance banks in Nigeria were primarily set up to serve as the financial channel by which small business entrepreneurs and the poor of the society would have access to funding. It is then expected that the ability to actualise the objective would improve the services of MFBs, leading to the nation's economic growth. Scholars however opined that this has not been effectively achieved due to some challenging issues (Akande and Yinus, 2015; Alalade et al., 2013; Ehigiamusoe, 2005; Moruf, 2013; Sussan and Obamuyi, 2018; Andabai and Jessie, 2018). While studies have identified the problems confronting microfinance banks in Nigeria, these findings provide additional problems through empirical investigation that are relevant to both practitioners and policy makers. This study also establishes the mitigating factors that are germane to solving the identified problems. The results revealed that high operating and financial expenses; low revenue base; lack of effective corporate governance; lack of standard and uniformity in financial transactions; insiders' abuse; and ineffective monitoring of the allocated funds to ensure the utilisation as intended, among others are the problems affecting the growth of microfinance banks in Nigeria.

The findings also showed that timely preparation of financial statements; adoption of cost efficiency mechanism; investing more on information technology for enhancement of operations; standardisation of the quality, experience, and qualifications of management of microfinance; and effective background

check of staff and customers, among others would mitigate the problems of MFBs in Nigeria. In view of these findings, this study therefore recommends the need for government to set up a body comprises of all stakeholders to ensure that the problems identified, and the mitigating factors are critically and objectively examined to adequately and timely address the issues raised. It is also recommended that the terms of reference for this body should be stressed upon to include procedural handling of ethical and professional breach without conflicting the roles of the existing regulatory bodies.

Limitations of this study

The use of Lagos State, one state out for the 36 states and Federal Capital Territory, Abuja, as the research area for a study about Nigeria is the limitation to this study.

Areas for further research

For further study, researchers could use the number of the officially licensed microfinance banks and increase the number of the small entrepreneurs across the six geo-political zones in Nigeria to determine the population and the sample size. Further research could also seek for the opinion of the external auditors to microfinance banks for a more objective identification of the problems confronting these institutions.

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Investigating the factors affecting the internet of things (IOT) adoption model -an exploratory study in Egypt

Ghada Zaky

Prof. Ayman Shawky

Prof. Mohamed A. Ragheb

Arab Academy for Science, Technology & Maritime Transport
Alexandria, Egypt

Keywords

Internet of Things (IOT), Extended Unified Theory of Acceptance and Use of Technology (UTAUT2), Adoption, Security Concern, Privacy concern.

Abstract

Purpose: This study aims to investigate the factors that affect developing countries especially Egyptian users to adopt IOT Applications/devices, and to what extent those variables affect the overall attitude towards, behavioral intentions and actual usage of IOT applications/devices. Moreover, to develop an extended adoption model by integrating the security concern and privacy concern in UTAUT2 model.

Design/Methodology: a descriptive quantitative approach was adopted, and a comprehensive research model was adapted from literature and then tested via an online questionnaire.

Results/Findings: The findings revealed that Effort Expectancy, Facilitating Conditions and Security Concern all have a significant positive effect on the overall intention towards using IOT applications/devices in Egypt.

Theoretical and practical implications: The Internet of Things (IOT) has emerged as an innovative computing technology destined to optimize business operations and create new products and services. IOT enable the devices to communicate and integrate with one another to collect, exchange, and make data accessible through the Internet. It is projected that by 2025, over 50 billion devices will be connected to the IOT network, reaching a market value of up to \$11 trillion. This study adapted the Extended Unified Theory of Acceptance and Use of Technology (UTAUT2) as the theoretical framework and its findings contribute to the literature by adding security and privacy concerns as new predictor variables.

This contributes theoretically to the current literature by providing meaningful insights into the main factors that affect using IOT Applications/Devices in developing countries specially Egypt. This study's conceptual effort provided an overall overview of how IOT users arrive at choosing (or not choosing) to use IOT applications/devices. Additionally, the analytic effort of this study provided a holistic assessment of the role of each variable. One critical question in this case is whether industrial leaders should assign an equal number of resources to each variable or not. By assessing the significance of each variable, the researcher attempted to clarify the comparative importance of each variable in forecasting purchase intentions and decisions to use IOT applications/devices.

Introduction

The Internet of Things (IOT) is a group of Internets connected smart devices (Herold, 2015). Smart devices are wireless embedded devices which are capable of collecting, exchanging, saving, processing, and make the data accessible to users (Bojanova, Hurlburt, & Voas, 2014). The smart devices are currently being used in creative ways to improve the lives of their users and advance society. IOT has many applications in the modern world that span from smart homes, education, healthcare, wearables, agriculture, and industrial automation to even cover large areas like entire smart cities (Abdel-Basset, Manogaran, Mohamed, & Rushdy, 2018). despite the progress made over the years, the technology was not widely adopted by most consumers as expected (Nordrum, 2016). Gartner (2017) and International Data Corporation (IDC) (2015 estimated the economic growth to exceed the trillion-dollar mark by 2020, but Lueth (2018) and Kaki (2018) stated that the increase only reached between \$130 and \$150 billion in 2018. As a result of the differences between expectation and reality, it is evident that IO technology will

not exceed the trillion-dollar or the trillion devices by 2020 since the real number in the third quarter of 2016 is somewhere closer to 6.4 billion devices (Nordrum, 2016).

More recently new pressures on companies to adopt the IOT technologies are originating from various stakeholders: partners, competitors, customers, and suppliers. Such external pressures, even ahead of internal performance improvements, represent the main stimulus for companies to adopting the IOT. Moreover, the IOT adoption has recently been supported by many national government policies; for instance, the Italian government awards companies which adopt the so-called "Industry 4.0" technologies with tax credit and further incentives (Ammirato et al., 2018). Therefore, this research comes to investigate the factors affecting the IOT adoption in the Egyptian Society as one example of the developing countries.

The statistical analysis of the variables affecting the adoption of Internet of Things Technology was conducted to explore the correlation between variables and the tendency of adoption by consumers. The adoption/rejection tendency and thus the intention of use were identified based on the classification of the variables based on theoretical adoption techniques by Venkatesh, Thong, and Xu (2012). Findings from the study may help Information Technology (IT) developers as well as consumers and industry leaders by support in the design, education, developing and distribution of IOT innovations, and to have plan in place that promote and provide IOT designs that follow the hierarchy of needs of consumers, and therefore, IOT developers can use the information to create innovation based on consumer desires and needs.

Although the technology shows great potential, there are many security and privacy issues and concerns with the IOT which may impact adoption (Atzori, Iera, & Morabito, 2010). The overall goal of this study also is to quantitatively measure the impact that security and privacy awareness has on the adoption of the IOT.

Adoption of technology has been studied for decades. The extended unified theory of acceptance and use of technology (UTAUT2) will be used as the base model of this study (V. Venkatesh 2012). This model has been cited more than a thousand times and has stood the test of time. A new construct will be added to the model, that of security concern and privacy concern. The new extended model will be tested to determine how well it measures the correlation of the constructs involved in technology acceptance in Egypt.

IOT is one of the trending technologies nowadays and IOT adoption is not an easy issue, especially in the developing countries. In addition, few researches had discussed IOT 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 IOT 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 IOT 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

The Unified Theory of Acceptance and Use of Technology (UTAUT) has been developed in 2003 by Venkatesh, Morris, Davis. This theory is based on a combination of the eight important technology acceptance theories and various models that arise from different research areas such as information technology systems, sociology, and psychology. These models are the Theory of Reasoned Actions (TRA), Theory of Planned Behavior (TPB), Technology Acceptance Model (TAM), Model of Personal Computer Utilization (MPCU), Memory Module (MM), Systems and Computer Technology (SCT), Extended Technology Acceptance Model (TAM2), and Diffusion of Innovation (DOI). It aims to explain user intentions to use technology and increase usage behavior. Each model of the mentioned ones attempted to expect and explain user behavior using various independent variables. A unified model was created based on the conceptual and empirical similarities across these models. The theory holds that four key constructs (performance expectancy, effort expectancy, social influence, and facilitating conditions) are direct determinants of usage intention and behavior.

In 2005 this UTAUT theory resulted in the publication of a widely used model and validated measurement tool (Sundaravej, 2005), and is widely applied in research in technology acceptance

regarding several wireless IT applications such as mobile banking (Wang & Wang, 2010); (AbuShanab & Pearson, 2007); (Cheng, Song, & Qian, 2008), using of mobile paying methods in public transport (De Hoog, 2014) or the usage of Radiofrequency ID-technology in E-health applications (Spil & Schuring, 2006).

Alshehri et al. (2013) conducted a survey and collected data from 400 respondents, to find the factors that affect the acceptance of technology services in KSA using UTAUT model. It was concluded that Performance Expectancy, Effort Expectancy, and Facilitating Condition have positive impact on user intention to use technology services. However, Social Influence was found to be insignificant.

Between 2005 and 2012 several extensions to the basic UTAUT model were made on order to enhance the model's predictive capacity and to make it specific for a particular markets and innovations. This resulted in the publication of an enhanced UTAUT2 model which was especially designed for the consumer acceptance of ICT innovations. (Venkatesh, Thong, & Xu, 2012). This UTAUT2 model contains three extra factors on top of the original UTAUT model: Habit, Hedonic motivations, and Price value. An empirical support was provided for the applicability of UTAUT2 to the consumer context via a two-stage online survey of 1,512 mobile Internet consumers. It was shown that in the context of consumers' use of technology, the effects of hedonic motivation, price value, and habit are strong and important. The variance explained in both behavioral intention (74%) and technology use (52%) are substantial, compared to the baseline UTAUT that explained 56% and 40% of the variance in intention and use, respectively. Overall, it was confirmed the important roles of hedonic motivation, price value, and habit in influencing technology use in UTAUT2, which is tailored to the context of consumer acceptance and use of technology (Venkatesh et al. (2013)).

Figure1 shows the extended UTAUT2 Model which is explained in seven main constructs which interpret the attitude towards the use of technology. These factors are expressed in two groups of variables, where the first group represent the original UTAUT variables (performance expectancy, effort expectancy, social influence, and facilitating conditions) and the second group represents three new variables (Hedonic Motivation, Price Value and Habit).

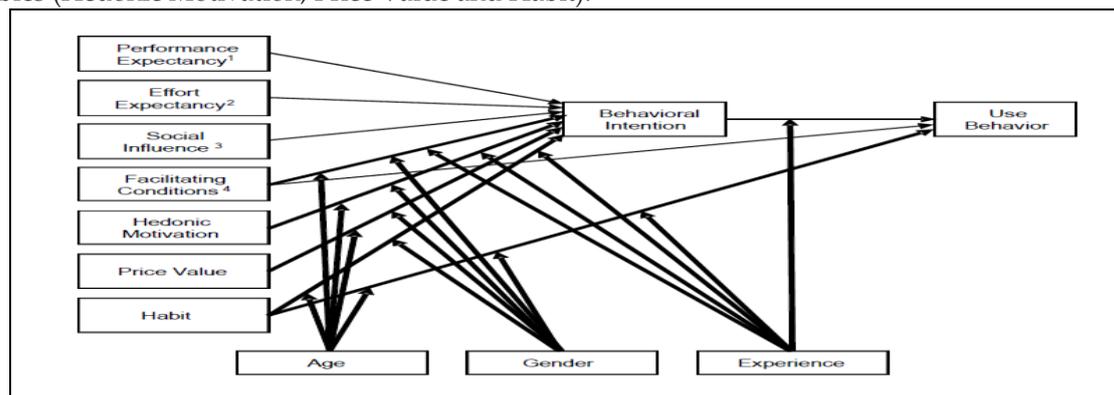


Figure1 shows the UTAUT2 model.

Also, other researchers extended the original UTAUT model with potential predictive factors. Examples of these factors are: Trust (Gefen, Karahanna, & Straub, 2003), Privacy (Min, Ji, & Qu, 2008), Concerns for the natural environment (Letiklane, 2015) etc.

Thomas et al. (2013) applied a web survey on the students at the University of Guyana. The conducted survey was in a developing country while the UTAUT model and most M-Learning studies are based on data collected in Western contexts. Resources are generally limited in developing countries and under such conditions; it is likely that the facilitating conditions affect adoption. It was also claimed that Attitude is not included in the original UTAUT model, but it has the largest effect on behavioral intention. Attitude towards the use of technologies for learning was hence the most important driver of adoption.

El-Masri and Tarhini (2017) explored the UTAUT2 model to determine the key variables; hedonic motivation, price value and habit that influence the adoption of e-learning system at universities in developing (Qatar) and developed (USA) countries. So, the result was shown that the hedonic motivation,

price value, and habit influence in behavioural intention in both cases of developing and developed countries.

Tak and Panwar (2017) tested shopping in India using mobile shopping apps by using (UTAUT2) model to understand the impact and customer's behaviour when using mobile apps for shopping, where it was found that hedonic motivates has a strong impact on customer's behaviour, when customers explore new products while using the app. When see discounts of offers in apps, they directly determine the price and compared it with the benefits of the products this will make them have cost saving. So, it was shown that hedonic motivates and habit have a strong impact and influence on customer intention while using technology, and the price is important indicators when buying online. Moreover, Yuan et al. (2015) proposed that mobiles apps used UTAUT2. The result shows that hedonic motivates, price value and habits have strong impact on technology model when being applied on the mobile apps for health and fitness.

Research Methodology

The quantitative research method selected was deemed appropriate because the independent and dependent variables were clearly identified, and the statistical outcome produced can aid the researcher in deriving a conclusion.

In order to test the research hypotheses that under this study, the research methodology adopted is based on several issues as illustrated below:

Population and Sample: The target population for this research is considered as the Adult Egyptian persons from all areas of profession and education, 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 who agreed to respond to the online questionnaire. A total number of 573 were considered in the study.

Data Collection: The data collection process is handled through the development of a questionnaire. 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 was adopted from the studies of (R. MAÇIK (2017), Yonghee Kim (2015), Chin-Lung Hsu (2016), Bunmi Samuel (2018), Venkatesh (2012)).

Research Framework and Hypotheses: The proposed framework was introduced in the following Figure2, where it could be observed that Performance Expectancy (PE), Effort Expectancy (EE), Social Influence (SI), Facilitating Conditions (FC), Hedonic Motivation(HM), Price Value (PV), Habit(HB), Security Concern (SC) and Privacy Concern (PC), were considered as the independent variables, while Use Behavior(UB) of IOT is considered as the dependent variable, and Behavioral Intention to Adopt (IOT) is considered to be the mediator that mediate the relation between the independent and depended variables.

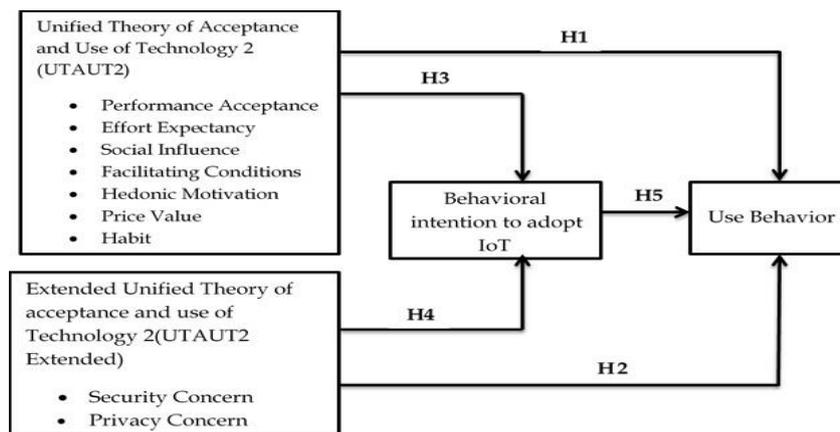


Figure 2: The research model

Accordingly, the research hypotheses could be formulated as follows:

H₁: Unified theory of acceptance & use of a technology 2(UTAUT2) has a significant impact on the use behavior (UB).

H1.a: Performance expectancy (PE) has a significant impact on the use behavior (UB).

H1.b: Effort expectancy (EE) has a significant impact on the use behavior (UB).

H1.c: Social influence (SI) has a significant impact on the use behavior (UB).

H1.d: Facilitating Conditions (FC) has a significant impact on the use behavior (UB).

H1.e: Hedonic Motivation (HM) has a significant impact on the use behavior (UB).

H1.f: Price Value (PV) has a significant impact on the use behavior (UB).

H1.g: Habit (HB) has a significant impact on the use behavior (UB).

H₂: Unified theory of acceptance & use of a technology 2 extended (UTAUT2) has a significant impact on the use behavior (UB).

H2.a: Security concern (SC) has a significant impact on the use behavior (UB).

H2.b: Privacy concern (PC) has a significant impact on the use behavior (UB).

H₃: Behavioral Intention to Adopt (IOT) mediates the relationship between Unified theory of acceptance & use of a technology 2(UTAUT2) & the use behavior (UB).

H₄: Behavioral Intention to Adopt (IOT) mediates the relationship between Unified theory of acceptance & use of a technology 2 extended (UTAUT2) & the use behavior (UB).

H₅: Behavioral Intention to Adopt (IOT) has a significant impact the use behavior (UB).

An online survey with 45 questions were posed to respondents. These questions are related to 11 different variables: Performance Expectancy (PE), Effort Expectancy (EE), Social Influence (SI), Facilitating Conditions (FC), Hedonic Motivation (HM), Price Value (PV), Habit (HB), Security Concern (SC) and Privacy Concern (PC), Behavioral Intention to Adopt (IOT), Use Behavior.

The following section will investigate the research hypotheses proposed above using correlation analysis and Structural Equation Modeling (SEM). Thus, both; SPSS version 26 and AMOS version 25 statistical packages, are used to test the research hypotheses, the regression analysis and SEM were fitted to predict research model.

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. The overall reliability for the measure is inacceptable range.

Descriptive Analysis

the respondent profiles, it was observed that the percentage of age group from 31 to 40 years is higher than other age groups in the research sample as it got 43.5%, also 59.5% of the sample male and 40.5% female, regarding the education 1.2% percentage are in high school education ,18.5% have bachelor's degree, 43.5% have MBA degree and 33.3% PhD holders.

Table 2 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, and also all means are nearly close to each other. As it could be observed that the highest mean value was for Effort Expectancy (EE)and the least one was for Habit.

Variables	KMO	AVE	Cronbach's Alpha	Item	Factor Loading
Performance Expectancy (PE)	0.655	0.60331	0.673	PE1	0.623
				PE2	0.881
				PE3	0.898
				PE4	0.775
Effort Expectancy (EE)	0.622	0.583276	0.637	EE1	0.687
				EE2	0.776
				EE3	0.822
Social Influence (SI)	0.677	0.661178	0.74	SI1	0.641
				SI2	0.872
				SI3	0.866
				SI4	0.6
Facility Conditions (FC)	0.697	0.545022	0.606	FC1	0.78
				FC2	0.861
				FC3	0.814
				FC4	0.543
Hedonic Motivation (HM)	0.762	0.580644	0.676	HM1	0.762
				HM2	0.762
Price Value	0.5	0.565504	0.73	PN1	0.752
Habit	0.505	0.640979	0.615	PV2	0.752
				H1	0.804
				H2	0.797
				H3	0.519
Security Concern	0.605	0.545692	0.567	H4	0.584
				SC1	0.714
				SC2	0.732
				SC3	0.782
Privacy Concern	0.843	0.733427	0.607	SC4	0.725
				PC1	0.731
				PC2	0.806
				PC3	0.654
				PC4	0.695
				PC5	0.7
				PC6	0.588
Behavioral Intention to adopt (IOT)	0.505	0.537546	0.602	PC7	0.635
				IOT1	0.945
				IOT2	0.949
Use behavior	0.87	0.69321	0.773	IOT3	0.600
				UBEH1	0.87
				UBEH2	0.889
Overall Reliability	0.658	0.608	0.656	UBEH3	0.728

Table 1: Validity and reliability

Variable	N	Mean	Std. Deviation
Performance Expectancy (PE)	573	3.643	0.65006
Effort Expectancy (EE)	573	3.818	0.67244
Social Influence (SI)	573	3.452	0.70337
Facilitating Conditions (FC)	573	3.38	0.58867
Hedonic Motivation	573	3.429	0.73876
Price Value (PV)	573	3.521	0.70148
Habit	573	3.182	0.65129
Security Concern (SC)	573	3.409	0.63542
Privacy Concern (PC)	573	3.339	0.50506
Behavioral Intention to Adopt (IOT)	573	3.627	0.59919
Use Behavior(UB)	573	3.609	0.71482

Table 2: Descriptive Analysis for the Research Variables

Normality Testing for the Research Variables

The result of the analysis shows that none of the variables falls outside the ± 1 range of skewness and kurtosis in this study. Thus, the data for this study is normal in relation to Skewness and kurtosis (Hair et al., 2006). Table 3 summarizes the skewness and kurtosis for the study’s variables.

Variable	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Performance Expectancy (PE)	-1.002-	0.187	2.463	0.373
Effort Expectancy (EE)	-.968-	0.187	2.658	0.373
Social Influence (SI)	-.556-	0.187	1.532	0.373
Facilitating Conditions (FC)	-.933-	0.187	1.58	0.373
Hedonic Motivation	-.585-	0.187	0.854	0.373
Price Value (PV)	-.404-	0.187	0.073	0.373
Habit	-.062-	0.187	0.911	0.373
Security Concern (SC)	-.988-	0.187	2.32	0.373
Privacy Concern (PC)	-1.080-	0.187	3.538	0.373
Behavioral Intention to Adopt (IOT)	-.902-	0.187	1.682	0.373
Use Behavior(UB)	-.757-	0.187	1.485	0.373

Table 3: Skewness and Kurtosis of the Variables

Table 4 shows the formal test of normality assumption for the research variables. It could be observed that the research variables are not normally distributed as the P-values are less than 0.05.

	Tests of Normality					
	Kolmogorov-Smirnova			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
P_E	.175	573	.000	.917	573	.000
E_E	.167	573	.000	.926	573	.000
S_I	.105	573	.000	.957	573	.000
F_C	.153	573	.000	.938	573	.000
H_M	.164	573	.000	.939	573	.000
PV	.163	573	.000	.932	573	.000
habit	.119	573	.000	.971	573	.001
utaut	.097	573	.001	.905	573	.000
utaut_ext	.140	573	.000	.901	573	.000
S_C	.187	573	.000	.921	573	.000
P_C	.128	573	.000	.935	573	.000
BI	.181	573	.000	.929	573	.000

Table 4: Formal Testing of Normality

Test of Multicollinearity

The tolerance values and VIF of this study pointed out absence of multicollinearity problem as seen in table 5.

Variable	Tolerance	VIF
Performance Expectancy (PE)	0.561	1.782
Effort Expectancy (EE)	0.365	2.742
Social Influence (SI)	0.426	2.345
Facilitating Conditions (FC)	0.466	2.146
Hedonic Motivation	0.558	1.791
Price Value (PV)	0.543	1.842
Habit	0.485	2.063
Security Concern (SC)	0.499	2.002
Privacy Concern (PC)	0.563	1.776
Behavioral Intention to Adopt (IOT)	0.563	1.777

Table 5: Multicollinearity Test - Tolerance and VIF

Testing Research Hypotheses

In this section, the hypotheses under study are tested using Regression analysis, stepwise analysis and Path analysis in Amos 25, The results analysis revealed the following:

H1: Unified theory of acceptance & use of a technology 2(UTAUT2) has a significant impact on the use behavior (UB).

Table 6: Summary of Simple Regression for Unified theory of acceptance & use of a technology 2(UTAUT2) Predicting the use behavior (UB) - (N=573)

Variable	B	SE B	B
(Constant)	0.715	0.325	
Utaut2	0.832	0.093	0.572
R ²		.327	
F value (1,572)	80.769**		
p-value<.005,p-value<0.001			

To test the secondary hypothesis stepwise regression analysis conducted and the test revealed the following:

Table 7: Summary of Stepwise Regression for Unified theory of acceptance & use of a technology 2(UTAUT2) Dimensions Predicting the use behavior (UB) - (N=573)

Variable	B	SE B	B
(Constant)	0.84	0.294	
F_C(Facility Conditions)	0.514	0.089	0.424
E_E(Effort Expectancy)	0.27	0.078	0.254
R ²		.358	
F value (1,572)	46.055***		
p-value<.005,p-value<0.001			

As mentioned in table (7) a significant regression equation was found (f (1,572) =46.055, p<0.05, with R2 of 35.8%, the results revealed that only: facility conditions (B=0.514*, p-value<0.05) & effort expectancy (B=0.27, p-value<0.05) positively affects the customers use behaviors. which means accepting the 2nd & 4th secondary hypothesis, while regarding the other factors the stepwise regressions removed them from the model due to their insignificant effects. And the regression equation can be presented as follows:

$$UB = 0.84 - 0.514 F_E \text{ (Facility Conditions)} + 0.27 E_E \text{ (Effort Expectancy)}$$

H2: Unified theory of acceptance & use of a technology 2 extended (UTAUT2) has a significant impact on the use behavior (UB).

Table 8: Summary of Simple Regression for Unified theory of acceptance & use of a technology 2(UTAUT2) extended Predicting the use behavior (UB) - (N=573)

Variable	B	SE B	B
(Constant)	1.886	0.391	
utaut_ext	0.512	0.115	0.326
R ²		0.106	
<i>Fvalue(1,572)</i>		19.771**	
*p-value<.005,**p-value<0.001			

As mentioned in table (8) a significant regression equation was found (f (1,572) =19.771, p<0.05, with R2 of 10.6%, the results revealed that Unified theory of acceptance & use of a technology 2 extended (UTAUT2) (B=0.512*, p-value<0.05) has appositive significant impact on the use behavior (UB). which means that UTAUT2-extended predicting the change in use behavior by 10.6%. which means accepting the 2nd main hypothesis and the regression equation can be presented as follows:

$$UB = 1.886 + 0.512 \text{ (UTAUT2) ext}$$

To test the secondary hypothesis regression analysis conducted and the test revealed the following:

Table 9: Summary of Stepwise Regression for Unified theory of acceptance & use of a technology 2(UTAUT2) extended dimensions Predicting the use behavior (UB) - (N=573)

Variable	B	SE B	B
(Constant)	1.589	0.257	
S_C(Security _Concern)	0.593	0.074	0.527
R ²		0.277	
<i>Fvalue(1,572)</i>		63.746**	
*p-value<.005,**p-value<0.001			

As mentioned in table (9) a significant regression equation was found (f (1,572) =63.746, p<0.05, with R2 of 0.277%, the results revealed that only: security concern (B=0.593*, p-value<0.05) positively affects the customers use behaviors. which means accepting the 1st secondary hypothesis, while regarding the other factors the stepwise regressions removed them from the model due to their insignificant effects. And the regression equation can be presented as follows:

$$UB = 1.589 + 0.593 S_C \text{ (Security _Concern)}$$

H3: Behavioral Intention to Adopt (IOT) mediates the relationship between Unified theory of acceptance & use of a technology 2(UTAUT2) & the use behavior (UB).

Table 10: Summary of the mediation analysis of Behavioral Intention to Adopt (IOT) - (N=573)

Effect	Variables	UTAUT2			UTAUT2-ext		
		Lower C.I.	Upper C.I.	p-value	Lower C.I.	Upper C.I.	p-value
Direct effect	BI	-0.037	0.395	0.198	0.432	0.819	0.004
	UB	0.517	1.105	0.004	-0.42	0.226	0.575
Indirect effect	BI	0	0	...	0	0	...
	UB	-0.012	0.083	0.338	-0.017	0.221	0.158

As mentioned in Table 10 the results indicate that there is an insignificant direct effect of Unified theory of acceptance & use of a technology 2(UTAUT2) on the user behavior (95% C.I. (-0.037, 0.395), p-value=. 0.198), also there is no indirect effect of the (UTAUT2 through (BI) (95% C.I. (-0.012, 0.083), p-value=0.338, therefore the Behavioral Intention to Adopt (IOT) doesn't mediates the relationship between Unified theory of acceptance & use of a technology 2(UTAUT2) & the use behavior (UB)., which leads to reject the 3rd hypothesis.

H4: Behavioral Intention to Adopt (IOT) mediates the relationship between Unified theory of acceptance & use of a technology 2 extended (UTAUT2) & the use behavior (UB).

As mentioned in Table 10 the results indicates that there is an insignificant direct effect of Unified theory of acceptance & use of a technology 2extended (UTAUT2)on the user behavior (95% C.I. (-0.42, 0.226),p-value= 0.575),also there is no indirect effect of the (UTAUT2-ext) through (BI) (95% C.I.(-0.017 ,0.221),p-value=0.158, therefore the Behavioral Intention to Adopt (IOT) doesn't mediates the relationship between Unified theory of acceptance & use of a technology 2(UTAUT2)extended & the use behavior (UB)., which leads to reject the 4th hypothesis .

H5: Behavioral Intention to Adopt (IOT) has a statistically significant impact the use behavior (UB).

Table 11: Summary of Regression of Behavioral Intention to Adopt (IOT) Predicting the use behavior (UB) - (N=573)

Variable	B	SE B	B
(Constant)	2.194	0.322	
BI	0.39	0.088	0.327
R ²		0.107	
F	19.884***		
value(1,572)			
p-value<.005,*p-value<0.001			

As mentioned in table 11 a significant regression equation was found (f (1,572) = 19.884, p<0.05, with R2 of 10.7%, the results revealed that behavioral intention to adopt (IOT) (B=.39*, p-value<0.05) has appositve significant impact on the use behavior (UB). which means that IOT predicting the change in use behavior by 10.7%. which means accepting the 5th main hypothesis and the regression equation can be presented as follows:

$$UB = 2.194 + 0.39 (IOT)$$

Table 12: SEM fit indices

Measure	Threshold	Observed values
Chi-square/df (Cmin/df)	<3 good;5 sometimes permissible	1.33
p-value for the model	>0.05	0.305
CFI	>.95 great;>0.90 traditional;>0.80 sometimes permissible	0.921
GFI	>.90	0.920
AGFI	>0.80	0.893
RMSEA	<0.05 good,0.5-0.10 moderate;>0.10 bad	0.042

The model fit indices: CMIN/DF = 1.33, GFI = 0.920, CFI = 0.921, AGFI= 0.893, and RMSEA = 0.042 are all within their acceptable levels. The SEM model conducted for the effect of Unified theory of acceptance & use of a technology 2 extended (UTAUT2) on customer loyalty is illustrated in the following figure.

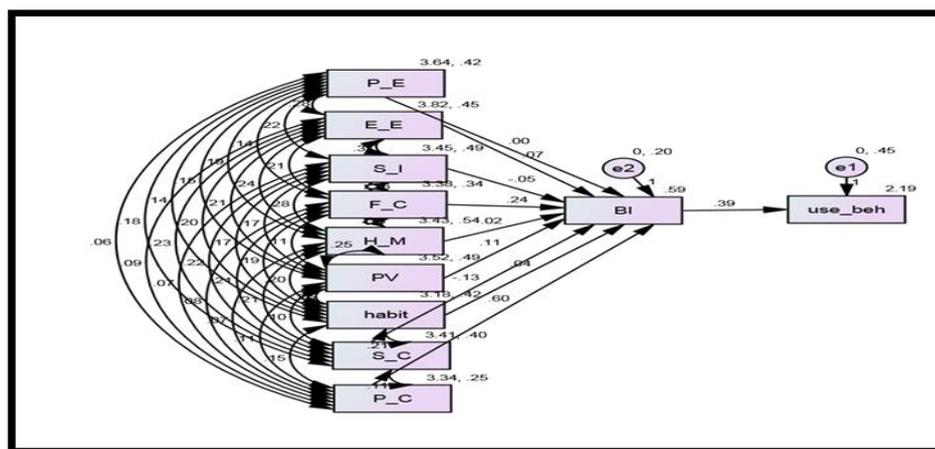


Figure3 the structural equation modeling of the research model

Conclusions

IOT is destined to revolutionize the way in which businesses, industries, machines, humans, and objects interact with one another (Attaran, 2017). This technology promises new opportunities for enhancing business operations, creating new products and services, and improving the quality of life for society (Attaran, 2017; Wortmann & Flüchter, 2015). Studies have shown that 71% of manufacturing firms have no plan to integrate IOT technologies into their processes (Brandt, 2017). Studies have also found that 64% of the manufacturers were concerned about data security, and 19% were concerned about data privacy (WEFORUM, 2015). The goal of this research was to gain insight into the factors that influence the adoption of IOT devices/applications in the Egyptian society, as an example of a developing country, as well as extend the UTAUT2 model by the security concern and privacy concern variables. The problem addressed by this study is the gap in knowledge regarding the relationship between user concerns about security concern and privacy concern and their intentions to adopt IOT technologies (Attaran, 2017; Lee & Lee, 2015). The lack of understanding of these relationships has made it difficult for organizations and their stakeholders to make informed decisions about their involvement in the development of, or investment in, IOT technologies (Krotov, 2017; Manyika et al., 2015). The purpose of this quantitative correlational study was to determine the extent to which security and privacy concerns and other factors predict users' intentions to adopt IOT technologies in Egypt. This framework contributes to the body of knowledge by extending UTAUT2.

The data analyses in this study revealed that the relationships between security concerns and user intentions were significant and that security concerns significantly predicted user intentions. The data also indicated that Facilitating Conditions (FC) and Effort Expectancy (EE) were significant to user intention to use IOT technologies while other factors not, this aligned with the fact of little knowledge of new innovation technologies in the developing countries.

Limitations and direction for future research

online surveys have a known history of response bias, and that was a concern in this study. Online surveys did not allow for a repeat of the data collection or for a follow-up with the participants if data collection errors occurred (Rice et al., 2017). The findings are not generalizable and may not reflect other counties or other geographical locations. The moderated factors of age, gender and experience is not considered in the study.

As a result, the answers provided can be assumed to be based on the current general knowledge of IOT technologies, A longitudinal study of the same, or similar sample population may show trending results that differ over time, as future research recommendations, this study suggests additional research to investigate the factors that may explain the unexplained variations in user intentions, such as technology immaturity, standardization, and government regulation.

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Multinational tax avoidance: An application of controlled foreign companies and royalty payments in South African legislation

Nicholas Brown
Shaun Parsons
Riley Carpenter

College of Accounting, University of Cape Town, South Africa

Key Words

Tax avoidance, avoidance schemes, multinationals, South Africa, controlled foreign company, royalty payment.

Abstract

This paper seeks to determine whether South African tax legislation would limit the effectiveness of tax avoidance schemes used by multinational enterprises to avoid their tax liabilities. The paper reviews two commonly used multinational tax avoidance schemes, namely, disregarding controlled foreign companies ('check box' regulations) and royalty payments. Using a doctrinal research methodology, the paper considers the application of these schemes within the context of South African legislation. The findings indicate that the effectiveness of the schemes is somewhat curtailed. However, the South African tax base remains at risk, and efforts to combat base erosion are still necessary.

Introduction

Multinational tax avoidance refers to the ability of a firm to reduce its liabilities by using avoidance methods that legally shift profits to lower tax jurisdictions or by avoiding to pay tax altogether (Gravelle, 2009). Multinational tax avoidance has been brought to the broader public's attention following extensive criticism in recent years of the tax practices of a number of high-profile multinationals. Multinational enterprises generate taxable incomes that are significant sources of revenue for their respective tax jurisdictions and, as such, tax authorities realise the importance of collecting their fair share of tax revenue. Tax authorities face the challenge of instituting legislation to eliminate loopholes without hindering global competitiveness. Some countries, particularly those with smaller economies, have sought to attract foreign investment through, amongst other methods, low corporate tax rates. For example, Microsoft negotiated with the Puerto Rican tax authorities in 2012 to be taxed at a rate of 2%, which was lower than the nation's 20% corporate tax rate (United States Senate Committee on Homeland Security and Governmental Affairs, 2012). These negotiations have spurred criticism from other tax authorities such as Her Majesty's Revenue and Customs in the United Kingdom (UK). Furthermore, the avoidance methods used by multinationals have led tax authorities to question the level of corporate social responsibility displayed, suggesting that manipulating the legislation is unethical (Davis Tax Committee, 2016b). The criticism made by tax authorities has damaged the reputation of multinationals, resulting in some of them choosing to pay tax in order to pose as good corporate citizens to please customers (Macalister, 2013). Starbucks announced in 2013 that it would pay tax in the UK despite its persistent reported losses while Amazon decided to record a portion of its sales in the UK where it will be consequently taxed, having previously re-routed those sales to Luxembourg – a lower tax jurisdiction (Bowers, 2015).

Controlled foreign companies are foreign entities of multinational group structures. In some circumstances, these entities can avoid paying tax in the parent company's jurisdiction, thereby reducing the group's tax liabilities. Multinationals also potentially have the opportunity of licensing intellectual property in return for royalty payments, thereby shifting profits (and tax liabilities) to possibly lower tax jurisdictions.

South Africa has a substantial budget deficit. One way to improve this is to collect more tax, and more specifically, corporate tax. Judge Dennis Davis of the Davis Tax Committee has stated that increasing the collection of corporate taxes is imperative if South Africa wishes to facilitate economic

growth and reduce its budget deficit (Davis Tax Committee, 2016a). However, as a developing country, South Africa has a relatively low fiscal capacity (Besley & Persson, 2013). Research indicates that profit shifting is rife in low-income economies (Kar & Spanjers, 2015; Ndikumana, 2016) and this is exacerbated by multinationals practising tax avoidance in less developed countries (Johannesen, Tørsløv, & Wier, 2020). Consequently, tax base erosion, profit-shifting and international tax competition have a potentially greater effect on developing economies (Crivelli, De Mooij, & Keen, 2015). It has been found that it is possible for multinationals in the oil and gas sector to avoid South African tax (Lu & Carpenter, 2020).

Subsequent to the multinational tax avoidance schemes being identified, they have garnered much attention, including consideration in the recent Base Erosion and Profit-Sharing (BEPS) project of the Organisation for Economic Co-operation and Development (OECD) and the G20 (OECD, 2013; 2015). It has been recommended that South Africa continue to follow the OECD and developed countries' actions with respect to tax base erosion (Wilson, Parsons, & Carpenter, 2016).

Using a doctrinal research methodology, this paper establishes whether South African legislation curbs tax avoidance schemes such as controlled foreign companies and royalty payments to minimise the tax liabilities of multinationals.

The paper begins by considering the South African tax context. It then reviews avoidance methods in the literature and explains how such schemes are allegedly being practised by multinationals such as Google and Starbucks. The research methodology is then described in greater detail. Thereafter, South African tax legislation is explained and applied to the avoidance methods to determine its ability to limit the effectiveness of these methods. Finally, the paper concludes by discussing the research limitations and providing recommendations for further research.

Literature review

Residence and source

In South Africa, income tax is administered through the Income Tax Act (No. 58 of 1962) (hereafter referred to as the Income Tax Act). In the Income Tax Act, the section 1 definition of 'gross income' legislates that a person is taxed on a residence basis. This means that South African residents must be taxed on their worldwide income irrespective of the source of the income. A juristic person, such as a company, is deemed to be a South African resident if it is incorporated, established, or formed in South Africa, or if its place of effective management is in South Africa (section 1 of the Income Tax Act's definition of 'resident').

In contrast, non-residents are taxed on a source basis (as per the 'gross income' definition in section 1 of the Income Tax Act). This means that non-residents are taxed only on income which is of a South African source. The interpretation of the source basis has differed since its introduction and thus court cases have established the way in which the source of income is to be determined. In *Commissioner for Inland Revenue v Lever Brothers & Unilever Ltd (1946 AD 441)(14 SATC 1)*, the court held that the originating cause of the income must first be established. Following from this, the location of the originating cause must be determined in order to identify the source of the income. However, even with these principles, source can still be difficult to determine. It is possible for more than one originating cause to exist and as such, the dominant cause must be determined.

Section 9 of the Income Tax Act provides specific source rules for certain types of income such as the sale of goods and royalty income. However, where the Income Tax Act does not explicitly provide for a type of income, the source is often where the business is carried on or where the capital is employed.

Based on these rules, a company must pay tax to the South African Revenue Service (SARS) if its income is subject to these rules. Where the application of these rules results in income being subjected to tax in two jurisdictions, the taxpayer may obtain relief – either through a foreign tax credit granted in terms of domestic legislation or in terms of the provisions of a double tax agreement. As such, a multinational may avoid tax by diverting profits in a manner that – although in accordance with the Income Tax Act – results in it paying tax to a different jurisdiction. Multinationals exploit such loopholes, which allow them to pay tax in a jurisdiction that levies a lower tax rate on corporate profits. Multinationals by their very nature perform transactions between different companies within the multinational corporation that are situated in different tax jurisdictions. However, the substance of these

transactions must be questioned to determine whether they have genuine economic substance, or whether they are conducted primarily for the purpose of minimising tax liabilities.

There are numerous tax avoidance schemes that are used by multinational enterprises. This paper focuses on multinational enterprises incorporated in the United States (US) or whose parent companies are residents of the US. These multinationals also have foreign operations creating a large presence in Europe. Consequently, this paper discusses principles from the tax systems of the US and some European countries as well as tax guidelines issued by the OECD. While the primary objective is not to identify loopholes in the tax systems in which the multinational enterprises operate, the paper does provide insights into foreign tax laws and explains how the schemes exploit such loopholes. This background is then referred to when considering the application of the schemes within the South African legal context. In some instances, quantitative data is provided to highlight the substantial impact of these schemes on the multinationals' tax liabilities and the tax benefits that they derive.

Tax avoidance using controlled foreign companies and royalty payments.

Multinational enterprises by definition have foreign entities within their group structures. The profits earned by these foreign entities are sometimes required to be included in the taxable income of the parent company. However, the introduction of 'check box' regulations has allowed multinational enterprises to disregard the taxable income of these foreign entities. In this way, the enterprises examined in this study avoid having to pay US corporate tax on the foreign entities' profits. For a multinational enterprise to exercise this option, it would need to ensure that the foreign entity could be classified as an 'eligible entity'. This term refers to a business entity that is not treated as a corporation. Once a foreign entity is deemed an eligible entity, it may be classified as a 'disregarded entity' if it has a single owner who does not have limited liability. The 'check box' regulations were introduced to simplify the process of classifying entities. However, they have inadvertently provided scope for multinational enterprises to substantially reduce their tax liabilities – which multinationals have duly taken advantage of (United States Senate Committee on Homeland Security and Governmental Affairs, 2012). Thus, many multinational enterprises have structured their operations in such a way as to exploit these regulations. 'Check box' regulations defer offshore profits from being taxed in the US because the repatriation of profits is deemed a dividend; they are therefore only taxed upon repatriation. However, multinational enterprises are under no obligation to repatriate profits and very often choose not to do so.

Royalty payments are often used in conjunction with the 'check box' regulations to shift profits to lower tax jurisdictions (Gravelle, 2015). Many of the multinationals that have successfully implemented tax avoidance schemes are technology companies which license their intellectual property in return for royalty payments. An example of the 'check box' regulations used in conjunction with royalty payments is the 'Double Irish Dutch Sandwich' – allegedly used by Google (Fuest, Spengel, Finke, Heckemeyer, & Nusser, 2013). Google received approval over its proposed scheme from the US' Internal Revenue Service in 2006, thereby ensuring that the scheme fell within the definition of tax avoidance and not tax evasion. The scheme is explained below.

Google's parent company in the US licensed its intellectual property to a subsidiary in Ireland – Google Ireland Holdings. Google Ireland Holdings owns a company, also situated in Ireland, named Google Ireland Limited. However, Bermuda is recognised as Google Ireland Holdings' place of effective management (Fuest et al., 2013). According to US tax law, Google Ireland Limited and Google Ireland Holdings are treated as one Irish company (Fuest et al., 2013). As a result, US tax laws regarding controlled foreign companies that would require the inclusion of the Irish company's net income in the parent company's taxable income, are circumvented through 'check box' regulations. This is because Google's parent company is the sole owner of the Irish subsidiaries and does not have limited liability. Therefore, it meets the requirements to disregard the foreign entities, and thus to legally exclude the net income of the foreign entities from its own taxable income. At the same time, Irish tax laws deem Google Ireland Holdings to be a resident of Bermuda (Fuest et al., 2013). Consequently, the taxable income of Google Ireland Holdings is taxed in Bermuda at a rate of 0% (Hennigan, 2013; International Monetary Fund, 2018).

Google Ireland Limited sells advertising, earning 88% of Google's foreign sales in 2009 (Drucker, 2010). However, the company reported taxable income of a substantially smaller amount, as evidenced by

its pre-tax income in 2008 being less than 1% of its sales (Drucker, 2010). Google Ireland Limited achieved this by paying a royalty to Google Ireland Holdings for the use of its intellectual property. For example, in 2008 Google Ireland Limited paid Google Ireland Holdings a royalty of \$5.4 billion (Drucker, 2010). By 2012, the royalty amounted to \$8.6 billion, representing an increase of 59% (Smith, 2013). The royalty paid by Google Ireland Limited is not paid directly to Google Ireland Holdings. Instead, a company is created in the Netherlands, and it is this company that Google Ireland Limited pays. Paying the Dutch company results in no withholding taxes on the royalty payment since the amount is deemed a transfer between countries within the European Union (Drucker, 2010). Any taxable income of Google Ireland Limited that remains after the royalty payment to the Dutch company is taxed at 12.5%, which is substantially lower than the 35% tax rate levied on corporations in the US. The Dutch company then makes a royalty payment to Google Ireland Holdings.

This 'Double Irish Dutch Sandwich' relied upon Ireland taxing Google Ireland Holdings based upon its place of effective management. This was one of the reasons for the change in 2015, when Ireland altered its definition of tax residence to include entities both effectively managed and incorporated in Ireland. However, existing structures were grandfathered up until 2020 (International Monetary Fund, 2018).

Starbucks' European subsidiaries made royalty payments amounting to 6% of turnover to a company in the Netherlands, which headquarters its European operations (royalty payments of 4.7% were made after Starbucks' UK subsidiary appeared in front of Her Majesty's Revenue and Customs) (Bergin, 2012b; UK House of Commons Public Accounts Committee, 2013). In 2011, Starbucks' UK subsidiary made a royalty payment of £26 million which significantly contributed towards a £33 million loss that year, resulting in no tax charge in that country (Bergin, 2013). In comparison, other multinationals such as McDonalds – the largest restaurant chain around the globe – made royalty payments of between 4% and 5% of turnover (Bergin, 2012a).

According to tax legislation in the UK, these royalty payments can be deducted if Starbucks is able to show that the royalty payment is an arm's length transaction. One way in which Starbucks can justify this is to show the importance of the intellectual property (for which the royalty is paid) to the profitability of the UK subsidiary's operations. Starbucks has maintained that its royalty payments were at arm's length despite continued losses reported by its UK subsidiary (Bergin, 2012b).

In summary, high-profile multinational enterprises have used the controlled foreign companies' 'check box' regulations, allowing the parent company to disregard its foreign subsidiaries. The parent company was thus given the opportunity of making a choice insofar as it was able to determine whether its foreign subsidiaries were eligible entities.

Methodology

Using doctrinal research methodology, this paper seeks to determine whether South African tax legislation would limit the effectiveness of schemes such as controlled foreign companies and royalty payments in avoiding the tax liabilities of multinational enterprises.

For the purposes of applying the South African legislation to the avoidance methods, hypothetical resident parent Company A seeks to exclude the taxable income of foreign Companies B and C. Operations are located in foreign subsidiary C rather than in resident Company A. A foreign subsidiary would thus make a royalty payment to another subsidiary to ensure the profits were transferred to a lower tax jurisdiction to avoid the tax liability in South Africa.

The relevant South African tax legislation is first explained before being applied to the avoidance scheme. In some instances, the South African legislation lacks sections that specifically govern the relevant transactions and schemes. However, the Commissioner for SARS considers guidance provided by the OECD – which has already contemplated foreign tax codes – before determining the substance of the transaction or scheme with respect to tax avoidance. Therefore, the guidelines of the referenced tax codes are applied to the schemes as this reflects what the Commissioner would consider. There are also facts and circumstances that the Commissioner may consider upon making an inquiry into the tax practices of multinational enterprises. While these facts and circumstances are not incorporated into the legislation, they are nonetheless relevant to the Commissioner's decision and are therefore also considered.

Application to South African legislation Controlled foreign companies.

According to section 1 of the Income Tax Act, a company is a resident if it is incorporated or effectively managed within South Africa. If neither of these requirements are fulfilled, then a company is deemed a non-resident company.

Section 9D of the Income Tax Act governs the treatment of controlled foreign companies. This section was introduced because it was anticipated that multinational enterprises would artificially transfer profits offshore to tax havens where South African tax would be unlikely to impede international competitiveness (National Treasury, 2002). The legislation states that a controlled foreign company is any foreign company in which one or more residents holds directly or indirectly more than 50% of the participation rights or has the ability to exercise more than 50% of the voting rights. Furthermore, if a resident company – together with connected persons (resident or non-resident) – controls a foreign company in accordance with the aforementioned requirements, and if, in turn that foreign company has the ability to exercise more than 50% of the voting rights in another foreign company, then the latter foreign company is also deemed a controlled foreign company. The net income of these controlled foreign companies is included in the taxable income of the parent company to the extent of the parent company's effective interest in each controlled foreign company. Certain exclusions in section 9D preclude the parent company from having to include the net income of the controlled foreign company into its taxable income. If the parent company, together with connected persons, holds less than 10% of the participation rights in the controlled foreign company, then the net income inclusion amounts to nil. In addition, if the foreign tax levied on the controlled foreign company is equal to or greater than 67.5% of the South African tax, calculated on the controlled foreign company's taxable income, then the net income inclusion also amounts to nil. Lastly, if the controlled foreign company is a foreign business establishment of the resident parent company, the net income is not included in the taxable income of the parent. The deductions against the income of a controlled foreign company are limited to the said income. Therefore, the inclusion of a controlled foreign company's net income cannot reduce the taxable income of the parent company. If the deductions exceed the net income, the excess deductions are carried forward to the next year of assessment.

Company A may seek to reduce its exposure to tax in South Africa by restructuring in such a way that it transfers its operations into Company C, a non-resident company in a low-tax jurisdiction. Company C then services the customers of the group. To the extent that those customers are located in South Africa, such income may continue to be from a South African source in terms of South African tax legislation, depending on the nature of the business. However, if Company C is able to invoke the provisions of a double tax agreement between South Africa and its country of residence, assuming that the agreement conforms to the OECD Model Tax Convention, it is likely that such profits will be liable to tax only in Company C's country of residence in terms of the article 7 Business Profits. However, this is only if Company C has a permanent establishment in South Africa (OECD, 2019). As economies shift from brick-and-mortar operations towards digital services, it becomes increasingly likely that this can be achieved.

The profits of Company C may, however, be at risk of taxation in South Africa under section 9D of the Income Tax Act. A significant component of the success of a 'Double Irish Dutch Sandwich' scheme is that Company A is able to 'check the box', resulting in Company B's and C's taxable income not being consolidated into Company A. Because of the absence of an elective provision in the South African legislation to disregard foreign subsidiaries, Company A would need to look to other provisions for exclusion. Company A holds 100% of the participation rights in Companies B and C. Therefore, it cannot apply the exclusion for holding together with its connected persons less than 10% of the participation rights in Companies B and C. Ireland's corporate tax rate is 12.5%. This is significantly lower than the 18.9% (calculated as 67.5% of 28%) effective tax rate required for the exclusion to apply. As such, Company A cannot apply the 75% rule either.

The foreign business establishment exclusion from section 9D of the Income Tax Act was applied in order to facilitate international competitiveness. However, this exclusion can only apply if it does not threaten the South African tax base (National Treasury, 2002). Accordingly, the three factors that a

business establishment must possess are permanence, economic substance, and a reason for operating in a foreign country other than for tax purposes. With reference to the last factor, Companies B and C must have a *bona fide* non-tax business reason for operating in a low-tax jurisdiction and not in South Africa (National Treasury, 2002). This paper outlines Google's tax advantage from having subsidiaries in Ireland. In order to convince SARS that its subsidiaries in a low-tax jurisdiction are foreign business establishments, Company C will have to demonstrate that its operations are indeed a foreign business establishment. If it manages to do so, its profits will not be subject to tax in South Africa through the inclusion of its net income in Company A's taxable income in terms of section 9D. However, schemes such as the one described above often revolve around the relocation of intellectual property – an intangible asset – rather than the relocation of business operations. An advantage of intangible assets is that they are easily transferrable across international borders. Assuming Company A operates via the internet, it can reach its customers around the world. Therefore, Company A could reach its global customer base from South Africa without necessarily requiring subsidiaries in foreign countries to expand its international competitiveness. It would therefore be more difficult to prove that Company C is operating a foreign business establishment. If SARS were to deem its reasoning for operating abroad inadequate, the foreign business establishment exclusion would not apply.

Therefore, Company A would not meet any of the requirements to exclude the net income of its foreign subsidiaries. The net income would be included in the taxable income of the parent company and subject to a corporate tax rate of 28% under section 9D. The absence of a 'check box' provision in the South African income tax legislation and the provisions of section 9D prevent a multinational enterprise from earning offshore profits through its subsidiaries without it being taxed in South Africa. This is on the condition that the subsidiary is a controlled foreign company (i.e., it is a non-resident but does not have a proper foreign business establishment).

Royalties

If Company C is required, by the nature of its business, to maintain a permanent establishment in South Africa (or indeed if it is a South African tax resident), it will remain liable for tax in South Africa. Company C may therefore seek to reduce its South African tax exposure by paying a royalty to fellow non-resident subsidiary, Company B.

Section 9D (9) of the Income Tax Act states that a controlled foreign company must exclude any amount in the form of royalties from its net income if those royalties are received from another controlled foreign company and if both controlled foreign companies form part of the same multinational enterprise. Consequently, the controlled foreign company paying the royalties is disallowed from deducting the royalty payments when determining its net income. A 'Double Irish Dutch Sandwich' typically involves the payment of a royalty between two controlled foreign companies – in this case Companies B and C. However, the application of section 9D of the Income Tax Act treats the transaction as though it did not occur. As such, section 9D not only ensures that the multinational enterprise's controlled foreign companies are taxed but also ensures that the profits are attributed to the controlled foreign companies through which they were earned – even though it makes no difference from a South African tax point of view (the net income is included in Company A's taxable income). The reversing of royalties ensures there is no double-counting of the section 9D effect.

While Company C is not prevented from deducting its royalty payment in full, it must look to sections 49A to 49H of the Income Tax Act to determine whether it is obliged to withhold a royalty withholding tax of 15% upon the payment of a royalty to a non-resident – the Dutch subsidiary – hereafter referred to as Company B. The only exemption available to companies (other than headquarter companies) is if the non-resident company carried on business at any time during the 12-month period preceding the date on which the royalty was paid, or if the business was carried on through a permanent establishment of the non-resident in South Africa. Company B is not tax-resident in South Africa whereas Company C is not a permanent establishment of Company B since they are separate legal entities (OECD, 2019). As such, the exemption does not apply. Company C would be obliged to withhold 15% royalty withholdings tax, which is effectively levied on Company B.

The royalty paid to Company B is from a South African source. However, if it were subject to the withholding tax on royalties in South Africa, it would be exempt from any further income tax

consequences in South Africa. Furthermore, Company B may be entitled to invoke the provisions of a double tax treaty between South Africa and its country of residence, if such a treaty were to exist. Articles on the taxation of royalties assign exclusive taxing rights to the country of residence if they follow the OECD Model Tax Convention. Company B would therefore not be subject to any income tax consequences in South Africa (OECD, 2019).

For the purposes of applying the following section of the South African legislation, it is assumed that the intellectual property of the multinational enterprise was created in South Africa (by Company A), and that the multinational enterprise subsequently transferred that intellectual property out of South Africa (to Company B). The multinational enterprise would need to consider whether section 23I would prevent it from reducing its tax liability. Section 23I prohibits the deduction of royalties paid to a non-resident (and to tax-exempt entities) for the use of what is referred to in the Income Tax Act as 'tainted intellectual property'. Although there are numerous provisions, only one is required to be met for intellectual property to be deemed 'tainted'. Essentially, the provisions apply when (i) the intellectual property is, or was, the property of either a taxable person or the end user and (ii) the intellectual property is used within South Africa. A taxable person, as defined under section 23I, refers to a person who is a resident (with certain exclusions that are not relevant for the purposes of this paper). The section defines an end user as a taxable person or a person with a permanent establishment in South Africa who uses the intellectual property to derive income. If the intellectual property is not tainted, section 23I will not apply. Furthermore, if the person to which the royalty is paid is taxed in South Africa upon receipt of the royalty, section 23I does not apply. In the event that section 23I does not apply, the royalty payment is deductible in its entirety. If the royalty is subject to the withholding tax of 15% in South Africa, the deduction of that royalty expenditure is limited to one half of the expenditure incurred.

Company C is the end user given that it uses the intellectual property to derive income other than by means of granting its use to another person. However, the intellectual property does not belong to Company C. It is the property of Company B. Company B is not a taxable person of South Africa, as defined, given that it is not a resident. However, the intellectual property was acquired from Company A. Therefore, the intellectual property is tainted and section 23I of the Income Tax Act will apply, providing an effective remedy to the intended tax avoidance.

General anti-avoidance

Sections 80A through to 80L of the Income Tax Act contain general anti-avoidance legislation. These provisions identify avoidance arrangements that lack commercial substance, are not at arm's length or where the sole or main purpose is to derive a tax benefit. The onus falls on the taxpayer to prove that the sole or main purpose of the arrangement is not to avoid tax. In establishing the purpose of the arrangement, its substance is assessed, not its form. This is essential in determining the intention of the parties. Furthermore, SARS must show that there is an element of abnormality embodied by the arrangement. To show abnormality, it must be proved that there is no *bona fide* reason for the arrangement, except the tax benefit. Should the Commissioner for SARS determine that an impermissible tax avoidance arrangement has occurred, he is able to levy tax by re-characterising the terms of the arrangement (for example, treating separate connected persons as one person). Sections 80A to 80L are principle-based, and not prescriptive. Consequently, they provide limited guidance to companies on the way in which they should structure arrangements.

Conclusion

This paper sought to determine whether South African tax legislation would limit the effectiveness of two tax avoidance schemes used by multinational enterprises to minimise their tax liabilities. It discussed how multinational enterprises have allegedly structured their operations in such a manner that they shift their profits to lower tax jurisdictions and minimise their tax liabilities. The two avoidance schemes included disregarding controlled foreign companies ('check box' regulations) and royalty payments. Application was demonstrated by showing how multinational enterprises such as Google are alleged to have implemented the schemes within the broader context of tax avoidance. The paper considered the application of these schemes within the South African legal context. To this end, the paper

assumed that the parent company was a South African tax resident – a central assumption in the avoidance scheme.

The paper found mixed results. In some circumstances the Income Tax Act limited the effectiveness with which multinational schemes could avoid tax in South Africa. If a multinational company were able to relocate its business operations from South Africa to a foreign subsidiary and to continue servicing its customers without setting up a permanent establishment in South Africa, it may be able to reduce its South African tax liability. However, controlled foreign companies' net incomes would need to be included in the taxable incomes of their parent companies if the foreign business exclusion does not apply. South Africa's withholdings tax on royalties from a South African source resulted in a lower rate of taxation than the standard company rate. Intellectual property was transferred offshore while continuing to be used in South Africa. The deduction of such royalty expenditure is prohibited either in part or in full. This prohibition limits the opportunity to artificially reduce income taxes in South Africa through the payment of royalties to non-residents.

Although South African income tax legislation contains measures to prevent tax avoidance of the nature allegedly practised by multinational companies in the two schemes considered, the South African tax base remains at risk. As modern businesses increasingly shift towards e-commerce, the permanent establishment test may be an inappropriate means of protecting the country's tax base. Furthermore, information asymmetry and deliberate attempts to obscure the true nature of such schemes may frustrate the application of the South African anti-avoidance provisions discussed in this paper. To this end, initiatives to combat base erosion that gained traction following the exposure of these schemes – most notably the OECD's BEPS Project (OECD, 2013, 2015) and consideration of a digital presence test – could meaningfully contribute to the defence of the South African tax base.

Limitations and areas for future research

The paper is subject to quantitative limitations in determining the extent to which South African legislation curbs the ability of multinationals to minimise their tax liabilities. Access to quantitative data would allow further research into this topic to evaluate the extent to which the South African legislation limits the effectiveness of such avoidance schemes.

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The effect of E-learning on education process enhancement & in-house customers' satisfaction (An experimental design)

Amani Younes Merzeban

Arab Academy for Science, Technology & Maritime Transport, Egypt

Ismail M. El-Sayed

Nile University, Egypt

Mohamed A. Ragheb

Arab Academy for Science, Technology & Maritime Transport, Egypt

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Abstract

At present, Higher education sector in Egypt plays an important role. The exponential change in technology initiates improving its services. As a result of the increased pressure to improve competitiveness, and due to COVID19 circumstances, academic institutions are motivated to adopt a system perspective, elevating strategies towards achieving E-learning. This research is mainly targeting exploring practices of E-learning in higher education, its influence on enhancing the education process and in-house customers' satisfaction (students). There's a dissimilarity between E-learning teaching and the traditional teaching, there are many debates. Creating effective E-learning environment has become a top priority for higher academic institutions.

The parameters of the E-learning system effectiveness are not revealed. The main objective of this research is to find out whether the online teaching method compared to the traditional teaching method, in different colleges of the Arab Academy for Science, Technology and Maritime Transport (AASTMT); will achieve a higher quality level than that created using the traditional education approach in specific.

The research aims at exploring students' perceptions towards E-Learning teaching method & traditional teaching method concerning learning environment satisfaction, quality of achievements and performance. The research approaches adopted in this study includes executing an experimental study using a quasi-experiment design to direct the Arab Academy for Science, Technology & Maritime transport (AASTMT) to different knowledge bases in instruction technology. Moreover, the findings from this research would provide evidence and add to the body of knowledge in higher education. The methodology of the research is seeking to apply E-learning to manage development and improve performance, as a starting point to assess the effect of applying E-learning on enhancing the education process.

This research is the first in higher education in Egypt to hold a comparison between teaching methods and study the effect of this combination of dimensions together and analyze the E-Learning teaching method effect on enhancing education and improving quality. Finally, the research will elaborate the problems faced to improve the E-Learning teaching method as a prerequisite for higher education since the beginning of COVID19 pandemic.

Introduction

Enhancing the learning process by applying modern technology methods, is an attempt to seek attractive growth opportunities and to enrich experience, so as to develop systems that are adaptable to change and to review the framework for organizational learning and the transformational perspective, in addition to examine a formula for a learning organization.

Measuring students' quality of achievements, in house customers' satisfaction (students) and performance could be used to ascertain the effectiveness of a learning format since students are considered the in-house customers in this instance (Macgregor, G; Turner, J, 2009). In developing the technology of instruction and enhancing it with new communication tools and learning techniques to enrich experience, a learning environment that supports the goals and objectives of the learner has to be

created, while taking into consideration the possibilities and limitations of appropriate technology to deliver the instruction.

Research problem

The main objective of this research is to investigate if E-learning teaching method compared to the traditional teaching method at different colleges at The Arab Academy for Science, Technology & Maritime Transport (AASTMT) would overcome the gap to realize a higher perceived quality level than that created by using the traditional education approach in specific.

Accordingly, the research is dealing with E-learning as an alternative to traditional learning and taking into consideration the different forms of electronic technologies in the educational process that E-learning entails. The methodology of the research is seeking to apply E-learning to manage development and improve performance, as a starting point to assess the effect of E-learning on enhancing the educational process. The research aims at exploring students' perceptions towards E-Learning teaching method & traditional teaching method concerning in house customers' satisfaction, quality of achievements, and performance.

Literature review

Several studies discussed the effectiveness of E-learning education by putting a frame for successful measures to evaluate E-Learning in universities (Macgregor; Turner 2009; Tseng; Lin 2011; 2015; Bali & Liu, 2018). Exploring the E-Learning emphasis is needed for university improvement over its present place (Selim, 2007; Hassanzadeh et al. 2012; Al Sabawy et al. 2011; Al Sabawy & Soar, 2013).

More understanding is needed on how students perceive online learning so as to apply those approaches effectively in order to enhance the learning process (Kouhang & Durante, 2003).

The study of Attia et al. (2016) notified a lack of practical studies on the evaluation of learning management system (LMS) in higher education institutions. Studies didn't show how different criteria effect the LMS. Therefore, they proposed an evaluation criteria model that overcome the studies & research limitations to discover new relations among different dimensions. Moreover, they highlighted criteria with higher influence on LMS, and shed light on the effect of technology use on lecturers and students.

Macgregor; Turner (2009); Nortvig, et al. (2018). Studies concluded that evaluating E-Learning systems tackles two main problems: firstly, the main factors in measuring the success of E-learning systems, and secondly, the validity and reliability of the model of evaluation of E-learning.

Lot of studies aimed at determining whether E-Learning is better than traditional learning in regard to learning outcomes and students' satisfaction.

The formats that lead to the best results in higher education institutions are the targets in comparative studies (Zare, et al. 2015).

The evaluation of E-Learning in higher education totally depends on assessing the criteria that contribute to enhancing the education process (Jafar Jalali et al. 2018; Lara et al. 2014).

There are three factors that directly affect the quality of E-learning systems: dimensions, constructs, and indicators. Raspopovic (2014), DeLone & McLean (2003), all suggest that comprehensive reviews, as well as monitoring, of pre-existing E-learning systems are a must to determine the efficiency of E-learning in terms of user's satisfaction, academic achievements, service quality and performance. The hypotheses of the research are strongly supported by the literature. It was proven by the literature that the effect of E-Learning has a distinguished effect in analyzing the main dimensions of the study; the in-house customers' satisfaction; the quality of achievements and the performance; that affect the education process (Loh. et al. 2016; Macgregor; Turner 2009; Hadullo et.al. 2017; Kaplan; Owings; 2015; Aly. et al. 2018; Vivek. et al. 2016).

In House customers' satisfaction

Attia et al. (2016) introduced in their research a multidimensional view of the most critical criteria that suits the Egyptian universities. Their criteria of evaluation are composed of six dimensions: Effectiveness of content, Communication, technology, lecturers and students' dimensions, system, and service quality. The most important relations among the criteria of their studies showed positive relationships between students' attitude toward technology and their level of satisfaction, moreover

positive relationships are among students' satisfaction and the quality of services and lecturers' responsiveness.

Tratnik (2017) investigated students' satisfaction of learners of English as a foreign language and found out that students that studied with the traditional method were more satisfied than their peers that studied with E-Learning method. Many researchers notified that students tend to be more satisfied with face-to-face interactions (Bali & Liu, 2018). The research of Kemp & Grieve (2014) found results showing that Psychology students at an Australian University were more satisfied with traditional learning method than the E-Learning method although their academic performance levels were the same.

As user satisfaction is a means of measuring E-learning success, the attention given to the user satisfaction approach by researchers led to light being shed on it in terms of E-learning systems. According to Sun et al. (2008), there are 6 dimensions that drive E-learning success; learner, instructor, course, technology, design, and environmental.

Many researchers argued that students' have greater satisfaction in regard to the face-to-face interactions (Bali & Liu, 2018). Their study has a limitation that the students that participated with their perceptions was from one field and one gender.

Although traditional teaching method perceived higher students' satisfaction than E-Learning teaching method, more students' numbers registered in online Learning and there was no significant difference among students registered in both learning methods regarding their learning levels (Cuthrell & Lyon; 2007 in Bali, S & Liu, M 2018).

Accordingly, the first hypothesis would be stated.

H1: The mean effect of E-Learning on in house customers' (students) satisfaction would be higher than that of the traditional learning.

Quality of achievements

A demand-driven learning model was proposed by MacDonald et al. in 2001. Five essential dimensions to increase E-learning quality in higher education comprises model; structure, content, delivery, system, and outcome.

In the studies of Bernard et al. (2014); and Gonzalez et al (2016, comparisons revealed that E-learning students had better and higher achievements than traditional students. Bernard et al. (2014) concluded that the use of technology seems to lead to a very low students achievements improvements in lack of students' interactions. Researchers recommended the necessity of lecturer's availability for students online or in person to prevent isolation feelings (Hunt, 2015). The first three dimensions of assessment in the DeLone and McLean (2003) model are system quality, information quality, and service quality. These three dimensions represent quality assessment for system design. In the context of E-Learning, system quality evaluates the characteristics and effectiveness of the used platform such as flexibility, stability, reliability, security, responsiveness, and user-friendliness.

King, E; Boyatt, R; (2014) recommended in their study continuous development of organization infrastructure & culture for the implementation and improvement of E-Learning is needed. Moreover, identifying the critical factors for implementing E-Learning successfully for guiding the organization change. Giving considerations for developing participants' experiences regarding their perspectives and the resistance to change in some cases. Tarus (2015) stated that institutional factors such as the availability of technology, and proper maintenance affect the quality of E-learning. Lastly, overall performance in terms of service quality is also a contributing factor (DeLone & McLean, 2003; Raspopovic, 2014).

Accordingly, the second hypothesis would be stated.

H2: The mean effect of E-Learning on quality of achievements would be higher than that of the traditional learning.

Performance

Wright's (2014) model for evaluating the performance quality of E-learning systems in higher education in developing countries suggests that there are three main factors in the assessment of E-learning. These factors are Continuous Assessment Tests (CATs), assignments, and semester exams.

E-learning aspects such as socio-demographic characteristics, hours spent on-line, and prior computer skills cast a more positive light on how such factors affect the e-learning experience and overall performance of students (Al Jawarneh, 2020).

Mwalumbwe, I; Mtebei, J; (2017) highlighted that some studies have shown positive significance between LMS usage (no of downloads, no of visits, no of LMS tools, messages, and content pages visited) and students' performance. The analysis of LMS usage could explain the variation in final grades which predict the learning achievements.

Debattista, M; (2018) noticed that new developments in online learning evaluations increased empirical evidence and have effective roles in enhancing the education process. The study recommended for future research that give weights to the evaluated dimensions and analyze the outcomes of the learning process.

Elfaki, N; et.al. (2019) elaborated conflicting findings from the literature that ranged students' performance from positive, negative and no significant differences in students' performance. Their study findings had significant results for E-Learning experiment group performance for a single course using E-Learning for the first-time which may could have biased the study findings with lack of experience and varying students' expectations.

The contradictions among opinions towards traditional learning and E-learning highlighted a critical part of the research problem. Some opinions necessitate the important role of E-learning for skills development. While others identify the absence of human interaction which exists in traditional learning as a source of major concern on online learning. (Loh et al., 2016; Fischer et al., 2015). There is lack of research about how students perceive E-learning and how it affects their learning experience. Another area that lacks research is the different outcomes of traditional learning methods versus E-learning. Thus, evidence is needed to demonstrate how both teaching methods of learning could help enhance the learning process by more understanding of how students perceive and react to the E-Learning dimensions (Bali & Liu, 2018).

Accordingly, the third hypothesis would be stated.

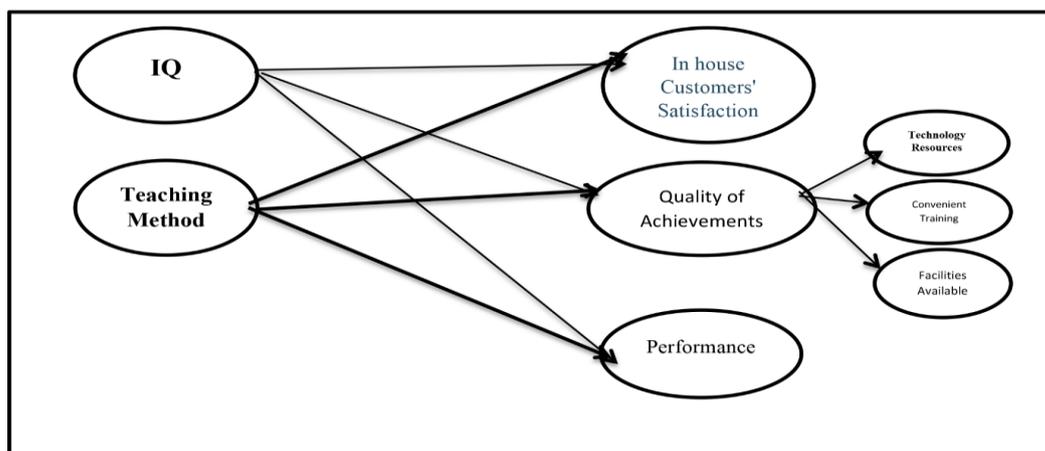
H3: The mean effect of E-Learning on performance would be higher than that of the traditional learning.

Hypothesis and models are derived from the literature of the previous studies. Therefore, the current research will demonstrate the evidence needed from the analysis of the quasi-experimentation results.

Study model

Based on the literature review, the following figure represents the suggested model of the study.

Figure (1): The suggested Model of The Study



Research methodology

Research Design: to examine the research models, the research adopted a quasi-experiment to test the research hypotheses or to examine the suggested model. Its basic design is posttest and control group design; the posttest design measures the effect of the independent variable on the dependent variables (post treatment). The experiment consisted of two groups, a control group, and an experimental group. The control group is involved in the traditional learning and teaching process and the experimental group uses the E-learning teaching method.

In this research, quantitative methods have been used to collect data from students based on the proposed evaluation criteria. A survey questionnaire to measure students' perceptions in regard to the learning environment satisfaction and the quality of achievements was used. The aim is to investigate how differences of in-house customers (students) perceptions would affect the education process.

Furthermore, the research aims at comparing the E-learning teaching method to the traditional teaching method at different colleges at The Arab Academy for Science, Technology & Maritime Transport (AASTMT); that may realize a higher perceived in-house customers' satisfaction, quality of achievements and performance, than that created by using the traditional education approach in specific.

Measurements: a structured questionnaire to collect students' perceptions; and fulfill the research variables were used among students in different colleges (College of Engineering & Technology, College of Management & Technology, College of Pharmacy). Data collected was statistically analyzed using the statistical package for social sciences (SPSS 25) and (AMOS 22), a statistical software used for Structural Equation modeling, path analysis, and confirmatory factor analysis.

Study Sample: A purposive sample from the registered students at the Arab Academy for Science and Technology and maritime Transport (AASTMT) at theoretical and practical colleges. Performance will be analyzed from students' exams, results, and GPA's. Students' perceptions questionnaires to collect data from the sample would be used to collect perceptions about the quality of achievements and students' satisfaction. The students' perceptions questionnaire focused on the evaluation of the teaching methods and have been applied to 515 undergraduate students. The sample was selected from the students learning with the traditional teaching method and their peers learning with the E-Learning teaching method to collect their perceptions.

Variable	Conceptual definition	Operation definition	Scale
Performance	An action or type of behavior that involves lot of attention to details or to small matters.	-Students' progression -Learning Efficiency	- 7 th exam - 12 th exam -Quizzes & assignments of end of tracks or chapters - final exam -Learning outcomes GPA (Good student - Fair student - average student). -Student Reporting and average grades. - Current GPA
Quality of achievement	Teaching quality includes creating a positive learning climate, selecting appropriate instructional goals and assessments, using the curriculum effectively, and employing varied instructional technology facilities that help all students learn at higher levels.	-Technology & Recourses -Facilities Available -Convenient Training	Quality of achievement will be measured through the Students' perceptions about learning method questionnaire to assess quality of achievement in education activities (Isik,A 2009).
In house customers' satisfaction	It is a measure of how the products and services meet or surpass <i>customers'</i> expectations.	-Satisfaction of Learning environment	In house customers' satisfaction will be measured through the Students' perceptions about learning method questionnaire to assess the satisfaction of the learning environment (Isik,A 2009).

Table (1): Conceptual and Operational Definitions of the tested study variables

Table (1) presents the conceptual and operational definitions of the tested variables of the study. The questionnaire about the quality of achievements consisted of 31 questions while that about the learning environment students' satisfaction consisted of 10 questions. Questions scales ranged from (1) Strongly disagree, disagree (2), Neutral (3), Agree (4), and (5) Strongly agree.

Data analysis & results

Data were collected from a sample of a total of 515 students and after data cleaning of the missing data the sample resulted in 453 students. 237 students of whom had undergone their lectures according to the traditional teaching method which represent 52% of the sample. In addition to 216 students according to the E-learning teaching method, response rate was approximately 87.96 %.

The questionnaire was distributed to 515 students in the mentioned colleges at AASTMT. After revision of students' perceptions and IQ tests and data cleaning, total responses of 453 out of 515 were found with no missing values for analysis. The response rate was 87.96%. Students were subjected to a 41-question questionnaire to measure Quality of achievements & Customers' satisfaction through the students' perceptions questionnaire used to collect data for the study. Analysis of the questionnaire revealed that students did not answer questions randomly. No ambiguity or lack of understanding were shown. The data regarding the performance (3rd dependent variable) that reveals the progression and efficiency of students was collected from various tests (7th week exams, 12th week exams, quizzes, final exam), grading, GPA, for determining each student's level of performance.

Measurement model fit.

Confirmatory factor analysis (CFA) (Hair et.al., (2010), standardized factor loadings, Goodness of fit index (GFI), Root mean square error of approximation (RMSEA) were used for the measurement of the model fit.

Table (2): Measurement Model Fit Summary

Measurement Model Fit Summary			
Measurement	Value	optimal range	references
CMIN/DF	1.657	Relative Chi-Square ratio of approximately five or less, ratios in the range of 2 to 1 or 3 to 1 are indicative of an acceptable fit between the hypothetical model and the sample data	Wheaton et al. (1977) Carmines and McIver, 1981, page 80
GFI	0.887	Goodness of Fit Index GFI is less than or equal to 1. A value of 1 indicates a perfect fit	Tanaka and Huba (1985)
CFI	0.951	Comparative fit index CFI values close to 1 indicate a very good fit	McDonald and Marsh (1990)
RMSEA	0.038	Root Mean Square Error of Approximation exact fit with the RMSEA = 0.0 about 0.05 or less would indicate a close fit of the model in relation to the degrees of freedom.	Tanaka and Huba (1985)

Table (2) shows the overall quality standards for the Measurement Model, and it is considered as the overall quality measurement for the three variables of the study.

Hypothesis tests

In order to test the research hypotheses and examine the study model two types of analysis were used. First, research hypotheses were tested using multiple analysis of covariance (MANCOVA). Since IQ test was used as a covariate in the analysis. This test was done using the (SPSS 25). Second, the fit of the model was tested using the structure equation model (SEM). This analysis was performed using (AMOS 22).

The results of the first analysis; the hypotheses tests are shown in table (3)

Table (3): Parameter Estimates (MANCOVA)

Parameter Estimates					
Dependent Variable	Parameter	B	Std. Error	t	Sig.*
Customers' satisfaction	Intercept	0.36	0.14	2.567	0.011
	[Teaching Method= Traditional]	-.738-	0.088	-8.427-	0.000
	[Teaching Method= E Learning]	0a	.	.	.
	IQ	0.003	0.013	0.214	0.83
Quality of achievements	Intercept	3.739	0.089	42.22	0.000
	[Teaching Method= Traditional]	-.424-	0.055	-7.660-	0.000
	[Teaching Method= E Learning]	0a	.	.	.
	IQ estimates	0.005	0.008	0.659	0.51
Performance	Intercept	-1.255-	0.136	-9.230-	0.000*
	[Teaching Method= Traditional]	0.064	0.085	0.751	0.453
	[Teaching Method= E Learning]	0a	.	.	.
	IQ	0.126	0.012	10.156	0.000

The table (3) showed that the effect of the E-Learning teaching method on the customers' satisfaction is higher than that of the traditional teaching method and the difference is statistically significant. Accordingly, these results supported the first hypothesis. Furthermore, the effect of the E-Learning teaching method on the quality of achievements was higher than that of the effect of the traditional teaching method and the difference is statistically significant. Accordingly, these results supported the second research hypothesis. Regarding the effect of the E-Learning teaching method on students' performance, the results showed that there is not any difference. Accordingly, the third hypothesis is not supported. Both (MANCOVA) and (SEM) analysis reached the same results where the first and second hypotheses were confirmed while the third was not supported. These results are also shown in figure (2).

To examine the fit of the model to the data, Structure Equation Model was used. The quality criteria of the study model according to the results of this analysis is shown in table (4).

Table (4) The Quality Criteria for The Study Model

Research Model Fit Summary			
Measurement	Value	optimal range	References
CMIN/DF	1.642	relative chi-square ratio of approximately five or less, ratios in the range of 2 to 1 or 3 to 1 are indicative of an acceptable fit between the hypothetical model and the sample data	Wheaton et al. (1977) Carmines and McIver, 1981, page 80
GFI	.882	goodness of fit index GFI is less than or equal to 1. A value of 1 indicates a perfect fit	Tanaka and Huba (1985)
CFI	.948	comparative fit index CFI values close to 1 indicate a very good fit	McDonald and Marsh (1990)
RMSEA	.038	root mean square error of approximation exact fit with the RMSEA = 0.0 about .05 or less would indicate a close fit	Tanaka and Huba (1985)

Both (MANCOVA) and (SEM) analyzes reached the same results, where the first and second hypotheses were confirmed while the third was not supported.

The following figure (2) shows the study model, the significance of the relationships and the quality of the model.

Figure (2): The study Model

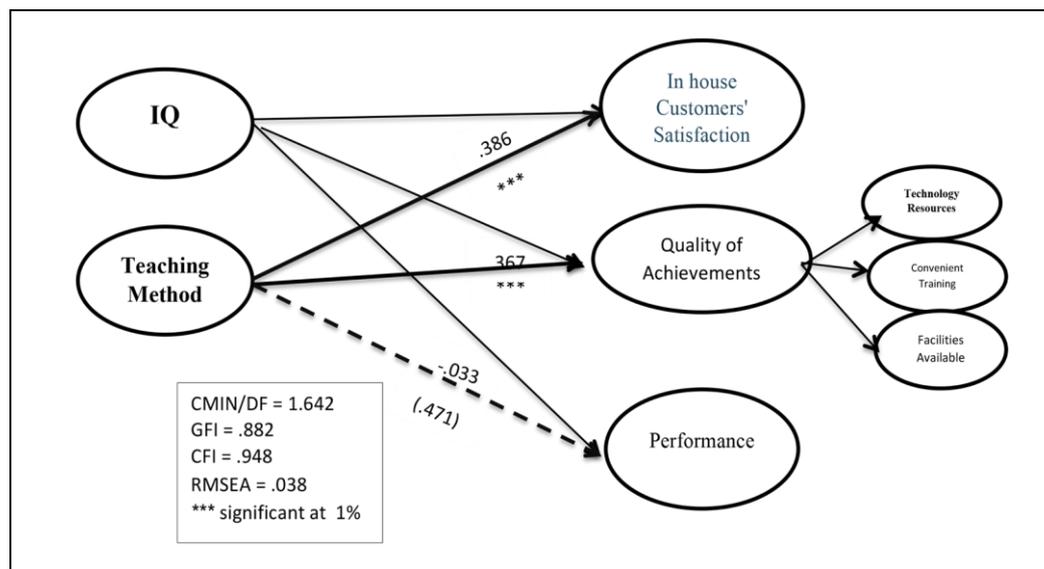


Figure (2) shows the results of testing the fit of the model.

Discussions & recommendations

It is necessary to clarify the factors that affected the enhancement of the higher education at AASTMT. They should be used as guiding tools for the higher education in Egypt. The analysis tools were used in verifying the suitability of the design used for the data as well as achieving homogeneity among groups. For further verification of the results, the researcher did a double check for results by re-examining the model using the structure equation model (SEM) model. Both (MANCOVA) and (SEM) analysis agreed to accept and reject the same assumptions.

The study could generalize that E-Learning teaching method has a positive effect on in house customers' satisfaction and the quality of achievements. Although the students' performance for both teaching methods; being measured by exams, quizzes, assignments of end of tracks and GPA's of the learning outcomes; were equal, there is still different ways to measure performance and give the probability of significant results. Thus, the E-Learning teaching methods using technologies had its positive effects on students regarding such variables. The use of technologies brought several advantages to all students who were subjected to the E-Learning teaching method. AASTMT gave clear instructions to highly interact with students online. This interaction improved the performance of the E-Learning teaching method and this may be the reason for not having any significant difference among both teaching methods.

Recommendations: As the use of technologies brought several advantages regarding the students' satisfaction and quality of achievements, the lecturers should find ways to interact with students to make the students heavily participate in the process. The following concern should be highlighted that universities should revise their online measurements by focusing on the interaction between the professor and the students. Improvement of the E-Learning system used in different universities should be revised and re-assessed. Universities which did not successfully implement E-Learning should revise their strategies and their systems and carry on improving the E-Learning education process.

Study limitations and suggested future research.

There is always a deep need for further research to comply with the effectiveness norms of using technologies and E-Learning applications. The following recommendations are to overcome limitations of the study and for future research:

The study was not generalized in public universities; it is required to have more results and directions towards the effect of E-Learning in enhancing education and improving quality in such universities. As the study was applied at AASTMT, The Arab Academy for Science, Technology and

Maritime Transport is one of the Leagues of Arab States' specialized organizations in the fields of education, training, and consultancy, with a nature and culture completely different from public universities. The study could not be generalized on public universities without executing a similar study within to improve performance and sustain competitive advantages.

E-Learning represents organization complexity that needs deep studies. Therefore, studying large samples in several universities could lead to show more evidence in different universities and may widen the scope to be generalized in developing countries to enhance and improve higher education quality.

Studying more dependent variables too would widen the scope of the study, so as to analyze the effect of E-Learning teaching method versus traditional teaching method.

A proposed longitudinal study during two consecutive terms or more to follow up with students' performance in more depth. This longitudinal study would reveal more in-depth measures, more in-depth results, and better results and thoughts. Widening the scope of the research opens the door for more future alarming research and future research interests. It could undertake the education process reform to improve the effectiveness of the education system in higher academic institutions.

Finally, a future research for the impact of E-Learning on academic staff, collecting their perceptions would give a parallel investigation by analyzing preferred teaching methods in regard to the best academic performance, in addition to exploring additional cost effectiveness of the system from that perspective.

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Revitalization of urban areas through business and tourism improvement districts (BIDs/TIDs) in Albania

Ermira Repaj

Department of Management, Faculty of Economy
University of Tirana, Albania

Keywords

Albania, business improvement district, economic development, public-private partnerships, tourism improvement district, urban regeneration.

Abstract

The spreading of business improvement districts (BIDs) and similar forms of a public-private partnership, as a new mechanism of urban revitalization and economic development, have emerged in Canada five decades ago and quickly adopted to many cities in countries such as the USA, Germany, UK, South Africa and lately Denmark and Sweden. This form of a public-private partnership with local authorities is created when a significant number of businesses or business property owners agree through a democratic process ballot to manage a delimited area and offer additional public services such as security, maintenance, infrastructure improvement, and marketing, to improve decaying commercial and residential areas.

Since 2011, the model has been applied in 8 districts in Albania, contributing to improved business life, infrastructure improvement, and enhanced general public services. The period is long enough to offer insights regarding their evolution and transformative effect in the areas where it has been applied.

This paper aims to explore the adaptation of the business improvement district (BID) model in urban areas in Albania and, at the same time, point out its characteristics, activities, and contribution to the area development.

The methodology used includes a qualitative research design, including primary and secondary data sources. Primary data sources include interviews with BID association members, administrators, and consultants in Albania, businesses, local government officials, and lawyers. Secondary sources include different research papers on BID functionality and BID legislation, conference proceedings, project reports, entrepreneurship magazines.

By identifying the effects of the model in area transformation, this study results have important implications for Albania's public and development policies and extracts practical lessons from its introduction in this local context. The findings presented demonstrate BID's transformative role for area renewal, economic and social development of the areas where it has been applied.

Introduction

The BID (Business Improvement District) and TID (Tourism Improvement District) are relatively new international models of public management, locally embedded through securing private capital to accommodate local specific demand related to area renewal, economic and social issues (Peyroux et al., 2012).

Historical records show that the first model of a Business Development Zone was implemented in Toronto in 1970 to fund a commercial district's renewal. In the following decades, the model has expanded to several cities in Canada and other countries such as the United States (Mitchell, 1999), South Africa (Didier et al., 2012), Germany (Michel and Stein, 2014), the United Kingdom (Cook, 2009) and lately Denmark (Richner and Olesen, 2018) and Sweden (Valli and Hammami, 2020) as a new mechanism of urban revitalization and social-economic development (Hoyt, 2003; Billings & Leland, 2009). The model is almost the same, a flexible form of governance that allows its participants to autonomously operate and craft solutions to improve their lives in a single area, thus creating a more attractive destination offer for tourism, leisure, shopping, living, and doing business. Being entirely local, the model helps prioritize initiatives that directly affect the community. The merger of most businesses creates the opportunity to better cope with joint services such as sanitation, security, and collective marketing.

The BID / TID model's long-term impact is creating sustainable mechanisms that improve the commercial value of the area by enhancing its assets and marketing to the general local public and visitors. Impact sustainability is ensured by actively involving the local community, businesses, and the Municipality as actors for improvement.

BIDs have been operating in Albania since 2011, as an initiative of the Albanian- American Development Foundation, and their immediate impact is directly reflected in the daily turnover of businesses, improved employment rates, the increase in the number of visitors, but also the increase in the value of properties and new business investments.

This paper focuses on applying this international model in the Albanian context and its transformative role for area renewal, economic and social development of the areas where it has been applied.

This article is divided into five sections. First, the introduction of the BID model definition and origin will be discussed through a literature review. Second, there will be an analysis of the implementation of the BID model across Albania. Third, the bespoke characteristics of the Albanian model will be detailed. Finally, some relevant BID projects' outcomes and impact indicators will be showcased before summarizing this article's conclusions.

Introduction to BID concept – A literature review.

There is no universal definition for a business improvement district (Becker et al., 2011) because the very nature of a BID is to be adaptive and flexible to serve each district as needed by stakeholders (Hoyt, 2003). The model definition varies depending on the country or region where it has been implemented, its' regulations, or other local conditions.

Business Improvement District (BID) in the USA, Business Improvement Areas in Canada (BIA), Urban Improvement District (UID), Neighborhood/Housing Improvement District (NID & HID) or Innovation areas in Germany, same concept with local variations that despite its different nominations are still recognizable (Eick, 2012; Stalevska & Kusevski, 2018).

Business Improvement District (BID) is, in general, the most used terminology to denominate the model and its characteristics.

Despite its different nominations, there is some agreement in the literature on the model's general characteristics. The district can be a public-private partnership in a geographically defined commercial area, authorized by local and state governments with a mandatory fee structure, often called BID levy, and collected by local authorities. BIDs are established through a ballot of those who will be expected to pay the levy, business occupiers, or property owners. The district must perform traditional BID services such as capital improvements, additional cleaning, area security, and marketing (Hoyt, 2003; Becker et al., 2011) that do not intent to substitute public services but are supplementary.

Their emergency is generally connected to revitalizing decaying urban areas, increasing area footfall, improving the general conditions of the businesses operating in the area, and increasing their respective turnovers.

This neoliberal urban governance approach has been seen as a new trend in decentralization policy efforts and a shift in urban entrepreneurialism involving more urban governance actors (Ward, 2006; Peyroux et al., 2012; Stalewska & Kusevski, 2018). The introduction and spread of the model are subject to conditions/factors such as the area/region's socio-economic context, including population size, entrepreneurial and commercial tradition (Eick, 2012; Costela-Sánchez, 2018). Other factors that influence the introduction of the model are the political context and the supportive legal framework, availability of governmental funding, and the commitment of different actors such as the public, the private, or third sectors that support the process. (Gopal-Agge and Hoyt 2007; The Means, 2013; Costela-Sánchez, 2018).

While there are evidence and a consensus in the international academic literature that the model has played an essential role in area revitalization through responding to local challenges more effectively, empowering and strategically advancing the business and retail (Levy, 2001; Gopal-Agge and Hoyt 2007), destination promotion and marketing, critics express concerns about potential spill-over effects.

Despite its recognized impact in the local context where it has been applied, the model has raised a few questions and critics regarding its effects on some issues such as democracy and proper representation in the managing boards, accountability, inequality in the delivery of public services or

over-regulation on public spaces (Gopal-Agge and Hoyt 2007; Stalewska & Kusevski, 2018). Other critics also raise the concern about the potential effects of exclusion and gentrification through moving social problems elsewhere rather than solving them (Valli and Hammami, 2020).

To date, there has been no academic study of the application of the BID model in Albania, which looks at all model aspects, its characteristics, impact, and potential implications. This article contributes to spreading knowledge on BIDs to fellow researchers, public authorities, business associations, and the general public through an in-depth case study research.

Implementation in Albania

The Albanian-American Development Foundation (AADF) has been instrumental in initiating and supporting first business improvement district (BIDs) initiatives in some Albanian urban and touristic areas.

AADF's BID/TID projects include two essential components. First, decaying urban areas undergo an infrastructural investment that provides a significant facelift to all buildings and public spaces. Central and local government entities collaborate during this phase, providing support and additional funding. The BID model's initial focus was on cities' central avenues with a later shift on areas with historical and cultural values, such as old bazaars and historic neighborhoods. The goal was to turn them into vital, thriving touristic destinations, hence the TID acronym.

The second component of the project develops local capacities to manage the area successfully in the long run. For that purpose, a local businesses' association is formed, and the respective Municipality agrees to transfer to the association the collected local tariffs from the area. An elected board, where representatives from the AADF and the Municipality also sit, is chosen to oversee activities and budget implementation. The BID association provides additional services to strengthen local businesses and make the area more attractive for new investments, such as business matching grants for investments, capacity building services for businesses, place marketing, and networking with similar local or international organizations.

Large scale capital investment in the public infrastructure that has taken place in these pilot BID/TID areas have typically preceded any efforts to establish BID organizations, missing the chance to use the promise of capital investment to raise interest and secure participation and engagement from the private sector at an early stage (The Means, 2015). However, the second component funds and local government transfer to the association have been seen as a strong incentive in later stages to increase the private sector's engagement in area management.

From June 2020, the trajectory of BIDs in Albania has taken an interesting turn toward the introduction and approval of the BID legislation that institutionalizes the BID/TID structure, regulating their creation and functionalities, also providing them with a long-term, sustainable funding mechanism.

According to the BID law, business improvement districts, as public-private partnerships, can be initiated by the business owners in a specified geographically commercial area through a BID prospect that should be voted positively through a ballot by 50% of the BID participants and finally approved by the local authority (Municipality). The BID has a limited mandate of 3 or 7 years, after which it should be re-voted by its members. The BID does not substitute the local government public services but has an enhancement role, providing additional services such as area security, infrastructure improvement, cleaning and maintenance, area marketing, and beautification. All the BID participants should pay a mandatory fee called BID levy, which was previously agreed in the BID prospect and is collected by local authorities. The managing board includes business representatives that make the majority for decision-making, also representatives from local government and other strategic development partners with an oversight role regarding program and budget implementation.

Methodology

The methodology used includes a qualitative research design, including primary and secondary data sources. Primary data sources include in-depth interviews with BID association members, BID administrators, and consultants in eight business improvement districts in Albania, business owners, local government officials, and lawyers. Secondary sources include a review of existing international literature

on BID functionality and BID legislation, articles, and conference proceedings, BID project reports, planning documents, entrepreneurship magazines, and BID websites.

Empirical material regarding the BID formation process, BID members, organizational form, geographical boundaries, and business structure has been obtained through BID reports, AADF project reports, BID websites, and municipalities. A more in-depth understanding of the context and the impact in different aspects have been obtained through semi-structured interviews with varying BID actors.

Findings

The business improvement districts founded in Albania since 2011 have emerged in a similar social-economical context, with slight urban differences. The initial focus of the BID model was on cities' central commercial avenues like BID Shkodra, BID Korça, and BID Berat with a later shift on areas with historical and cultural values, such as old bazaars (TID Kruja, TID Tirana, TID Korça, TID Gjirokastra) and historic neighborhoods (TID Vlora). Most of these areas were facing similar economic-social problems, like decaying public infrastructure, substandard public services, weak destination marketing but high economic potential. While locals and visitors naturally visited the city centres and old bazaar commercial areas, TID Korça (Korça Bazaar) and TID Vlora (historic neighbourhood) were marked as vulnerable areas with a low footfall, abandoned and decaying housing and business premises, also with some security issues.

Data from AADF evaluation reports show the following BID/TID model impact indicators for eight areas and more than 900 businesses:

- On average, there is an increase of over 110% of visitors in all revitalized areas.
- Data from reports show a 70% increase in commercial property value reflected in higher property prices and rents for square meters.
- Local businesses report a 75% increase in business earnings after AADF's intervention and management model.
- An increased business satisfaction towards public service by 130%.
- For every \$ 1 committed by AADF, businesses have joined the area improvement initiative by upgrading their businesses by \$ 2.

One of the evident contributions of the applied model in Albania is the opportunity of building partnerships and lobbying with the relevant authorities to enable the provision of qualitative public services according to the needs and challenges of the businesses in the area, in a sustainable way, but also empowering the business owners' community and providing them with an instrument to contribute to area management.

The preparation and implementation of qualitative management plans for the BID/TID that designs the whole process of development and management of the area, including the orientation of the mix of services in the district; marketing and branding elements; BID/TID management structure, clarified the organization's position, improved its efficiency, and helped to discipline BID stakeholders' behaviour.

The intervention for infrastructural improvement and the area's promotion locally and internationally contributed to the overall area frequentation and footfall. Today BID/TID areas are the most frequented areas by tourists in the respective cities. Infrastructural improvement of public spaces and facades; improved business premises and services through the grant program and business capacity building programs; sanitation and safety of the area; and other beautification elements added value and improved the life not only of residents but also of visitors and tourists.

BID organizations contributed to the overall improvement of business turnover, quality of services, and business sustainability. In TID Kruja, the artisans have been supported with specialized consultancy services to improve their entrepreneurial skills, product designs, and marketing and produce more than 300 new product prototypes and techniques. Businesses in BID Shkodra, TID Kruja, TID Korça, BID Berat, TID Gjirokastra have been supported with interior design projects to improve their premises, and business offer also reflected in a higher number of visitors and higher turnover.

Destination marketing is another powerful instrument used by the BID/TID associations to increase the area's attractiveness. A distinctive brand, which identifies the BID area, with details ranging from the logo and colors used, the symbols, the banners, media communication, the signage boards, the businesses

accessories (such as uniforms, boards, cups), all elements that also create a sense of belonging and collaboration. Events organized in these areas served as a magnet for attracting visitors and tourists, complementing, and improving the area's touristic offer and social and cultural life. Statistics from project reports display an increase of 70-150% in the footfall due to promotional events organized in the BID/TID areas.

While there is enough evidence on the positive outcomes of the BID model, some internal issues have been reported by BID administrators and consultants, such as lack of involvement by residents and the wider public, weak membership or engagement in the case of TID Kruja and BID Berat and delays on municipality transfers for the association that creates financial instability for the model. While the first and second issues have been addressed through a more active role of the managing structure with public and members engagement, the financial sustainability issue is being addressed through the new legislation on the BID model that regulates its funding mechanism. BID organizations are also testing other instruments to secure economic sustainability by offering paid services such as a skating rink and a scenic train trip in BID Korça, but there is no evidence of their success yet.

Discussion & Conclusion

Despite the discussions and concerns between scholars, there is evidence and a consensus in the international academic literature that the BID model has played an essential role in area revitalization through responding to local challenges more effectively, empowering and strategically advancing the business and retail (Levy, 2001; Gopal-Agge and Hoyt, 2007), destination promotion and marketing, converting them in vibrant commercial centers.

Despite its recognized impact in improved public services and better response to local challenges, the success of the BIDs in providing such services is essentially seen by some scholars as to the failure of the local municipal government (Briffault, 1999). While BIDs are seen as contributors to additional public services, they cannot be considered the primary service provider or a substitute for the local government. BIDs should be regarded as an essential instrument of collaboration on mutual issues, creating ties between the local community and local government.

While BID members and stakeholders notice improved area attractiveness, better business climate, higher estate values, improved public services, and sense of security, this improvement is based on collective action, higher engagement of private sector in area management, eradication of the free riders, provision of additional private funding for public improvement, disciplining of BID members behavior and policy partnerships with local government.

Few elements remain critical for this model's success: An active engagement of the private sector and local government in communal decision making for area management would be essential for BID model functionality. A business-critical mass that would ensure the model's economic sustainability in terms of levies collected is a second key success element. A healthy financial situation of the BID organization would also guarantee the right instruments and mix of services to create a significant impact in the BID area.

By identifying the effects of the model in area transformation, this study results have important managerial implications for Albania's public and development policies and extracts practical lessons from its introduction in this local context. The findings presented demonstrate BID's transformative role for area renewal, economic and social development of the areas where it has been applied.

Limitations and further research

The limitations of this research stem from the inability of this study to identify BID entities not initiated or not related to AADF.

In future research, a quantitative approach can be employed in the research topic to identify the impact of the model on different stakeholders, including property owners that were not part of this study.

A more in-depth investigation should be done into the transformation process for existing BID organizations to fit the recently approved BID legislation. Furthermore, the new BID entities' emergency under the BID law should be investigated.

Moreover, further research is required to provide solutions for BID organizations to maintain sustainability and generate more impact.

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China's engagements on the african continent: interrogating its true mission and objectives on the continent.

John Mamokhere
University of Limpopo, South Africa

Keywords

Africa-China's engagements, Afrocentricity, Economic engagement, Neo-colonialism

Abstract

China's engagement(s) throughout the African continent has met with mixed reactions from academics, politicians, civil society, and interest groups. In that regards, this paper questions the link between China-Africa, if this is a new form of colonialism or is China kind to the continent. Thus, this paper examines whether the debates regarding the nature of the China-Africa relations can be qualified or categorized as a new form of colonialism approach or not. Also, the paper analyzes the perception of academics, politicians, civil society and interested groups about the implications towards the China-Africa economic cooperation and explains whether China is taking advantage of the weak African states in the name of South-South cooperation or playing the role of a contemporary substitute of the old colonial system.

The paper has adopted an Afrocentricity theory as a lens sometimes referred as a theory of social change that is initiated and better clarified by Asante Molefi Kete (1980 and 2003). Afrocentricity is an approach to the study of world history that focuses on the history of people of recent African descent. To achieve the aims of this paper, the author(s) benefited from Critical Discourse Analysis (CDA) of secondary data covering China's economic engagements in Africa. Conceptually, it is found that China has a large influence in Zambia over the mining industry. It is affirmed that China's investments in the mining sector control over 88%. Therefore, it is concluded in this paper that China's presence on the African continent presents equal opportunities (economic development, e.g., employment creation) and threats (loss of Sovereignty, employment exploitation).

Thereafter, this paper recommends that African governments should be pro-active in order to exploit the potential opportunities. The paper also recommends that there should be an economic win-win cooperation as per China's African Policy (2006), which implies that there should be a mutual benefit.

General Introduction

A new form of colonialism commonly known as neo-colonialism can be defined as a new form of colonialism aimed at dominating and exploiting the countries in a more delicate form (Ardant, 1965:837). According to Nkrumah (1975:145), neocolonialism is also conceptually understood as the geopolitical practice of using capitalism, business globalization, and cultural imperialism to control a country, in lieu of either direct military control or indirect political control. However, "the increase in China's economic involvement in the African continent is questionably the most momentous development on the in the African continent today. One of the argumentative issues surrounding China-Africa relations involves investments. Even though, China and Africa have been trading with each other for centuries now. The level and intensity of their trading relationship have increased dramatically since 2000. The trends and patterns of trade between China and Africa suggest many possible impacts in Africa" (Kabuka, Bii, Ombaba, Onger, Arogo, and Omuya, 2012:529). It can be affirmed that China is the second biggest economic player around the world after the United States of America (USA). Thus, Botha (2006) indicates that China is trying to establish itself as an important power in the international level and is doing it using Africa, to uphold its views and policies with international multilateral organizations. In relations to China-Africa, Africa plays an imperative role in this regard, predominantly in organizations with "one country, one vote" arrangements. Thus, China tries to get African governments to secure African's huge mineral or other resources and as well as to gain support for its policies in the international arena.

In-depth, China's engagement(s) within Africa is based on strategic political and economic considerations. It is, therefore, debated that China's manifestation on the African continent grants both opportunities (economic development, e.g., exchange of skills, employment creation and poverty) as well as threats (loss of Sovereignty and employment exploitation), thereafter, African governments should be pro-active to exploit the potential opportunities (Botha, 2006). To comprehend the relationship between China-Africa, one needs to evaluate both sides involved. Botha (2006) opined that China's engagement in Africa is not solely attributable to China's behaviour in Africa, but some of the blame should also be shifted to corrupt African governments or officials and elites or political groups who function in a framework of neo-patrimonial politics which increases corruption and mal governance in the continent. China has become Africa's largest trade partner, with many deals involving natural resources in exchange for building infrastructure and loans. China imports oil from Africa, as well as commodities such as timber, copper, and diamonds. China also exports processed foods, household products and other manufactured goods to African countries. This paper interrogates the implications of China's engagements or investments and developmental activities in African countries.

Background of The Study

The recent China's presence and growth reflects its wider emergence as a global power. With its rapid economic development as the world's second largest economy today and its rising role in the global geopolitical arena, the type of development path that China is pursuing, and the way it affects the rest of the world, even Africa, are increasingly heated debates all over the world. China-traditional Africa's friendship dates back to history (Michael, 2013:4). The Bandung Meeting, Indonesia, was a historic milestone to forge a strategic alliance with China and developing countries in 1955 and took into account its ties between China and Africa (Michael, 2013:4). The citizens of the Republic of China or Chinese leaders had to see the conference delegates face to face for the first time. This was an initial period. It later opened a window for China to give African countries and liberation movements economic investment), technological, political, and military support (Michael, 2013:4).

A new historical phenomenon arose drastically from the end of the Cold war and the collapse of the Soviet Union in the long-standing conventional ties between Africa and China. The changes and new technologies in the world, in Africa and in China have given an advantageous environment to the growth of ties between Africa and China. While Africa and China seem to have been unable to have more contrasting contexts. China has risen very quickly, bringing hundreds of millions out of poverty, rising its global footprint, and becoming a modern world power. While the marginalization of the global economy is still being overcome in most African countries and hampered by various growth issues, persistent poverty, high unemployment rates and other socio-economic problems (Michael, 2013:5).

Statement of the Problem

China's investments throughout the Africa continent have met with mixed reactions from academics, politicians, civil society, and interest groups. Scholars and civil society continue to question if this is a new form of colonialism or is China kind to the continent? According to Rapanyane and Shai (2020:1), China's arrival in the African continent in the early 2000s over the Forum on China-Africa Cooperation (FCAC) has signaled with numerous joint beneficial promises. Yet, there is still views that the China's arrival on the African continent was driven by itself national interests. Such interests were mainly on the continent's worth especially mineral resources, which are considered important for its economic success. Rapanyane et al., (2020) further indicate that this remark reflects that scholars and practitioners have a mixed or different understanding of China's engagement within Africa. For instance, it is argued that Chinese mining companies' functions in Africa countries such as Democratic Republic of Congo (DRC), Zambia and in other countries are not diverse to the early colonial masters who became to Africa mineral resources to grow their own nations at the costs of Africa's own development.

Theoretical Perspective on China-Africa Engagement

Afrocentricity theory

This paper has adopted an Afrocentricity theory as the relevant theoretical framework in analyzing the relationship between China and Africa. An Afrocentricity theory sometimes referred to as 'the theory of social change' is an applicable theoretical guide that stands a good chance of analyzing African issues.

This theory has been initiated and is better enlightened by Molefi Kete Asante in his book titled *"Afrocentricity: The Theory of Social Change"* in 1980 and 2003. Asante's book offers informative thought on dominance, power, racism, and the need to escape from victimization. The theory aimed at decolonizing the mind and confusion of Africans scholars. Therefore, Rapanyane (2019); Rapanyane (2020:58), opined that the theory has been seen as a relevant analytic tool because of its ability to furnish Africans with grounding, orientation and perspective which stands a good chance of liberating and decolonizing African minds from East/Western claimed universal and objective theories developed in the past to subject Africans to non-African analytic tools in African problems. This theory has been relevant in this paper primarily because there is a need for African countries to escape from victimization imposed by China's dominance.

Research Methodology and Design

Research design

No research study can take place without the research design. Research designs are imperative for the undertaking of any study. Kumar (2011) considers research designs as a procedural plan that academic scholars adopt in answering research questions. As for Pandey and Pandey (2015), they are the frameworks of the study that are utilized for the processes of collecting and analyzing the data. Qualitative approaches provide findings that are commonly detailed, rich, and offering ideas and concepts to inform your research. MacDonald and Headlam (2014) posit that qualitative has the potential to disclose the feeling of the people and also how they think without providing a numerical of the target population that feel or think that way. Research methodology, which was adopted for this study is qualitative. Thus, a qualitative design will be briefly discussed below.

Qualitative design

Bryman (2020) indicates that a qualitative research is a collection of social data that focuses on meaning thus providing valuable insights into the local perspectives of study populations. They can contribute to culturally specific and contextually rich data (Mack, et al., 2005). In the qualitative study, the researcher relies on the principles from interpretive or critical social science emphasis on the language of "cases and contexts" and of cultural meaning (Neuman, 2014). A qualitative study is underpinned on the logic that arises from ongoing practice while following a nonlinear research path (Neuman, 2014). The existing literature was systematically reviewed and synthesized. This process involved the review of peer-reviewed journal papers, books, government legislations, and internet sources. Similarly, to attain the aims of this paper, the author adopted a qualitative research approach whereby secondary data has been utilized. Therefore, the paper drew information from published articles, reports, newspapers, books, and other readily available material.

Review of Related Literature

This section provides an overview of related literature in China-Africa economic engagements.

Forms of Neo-Colonialism in Africa

To comprehend if China engagements in Africa is an honest engagement or is a form of new colonialism. It is important to understand different forms of colonialism. Therefore, the following forms of new colonialism would make it easy to understand the level or status we are with regards to colonialism status in Africa. Badi (1996:65), indicates that there are three forms of neo-colonialism in Africa, namely, real neo-colonialism, ultra-neo-colonialism, and auto-colonisation.

The (i) real neo-colonialism "is exercised by former European colonial powers which continue to maintain a relationship of dependency with their ancient colonies. Despite the countries' sovereignty, the neo-colonial powers have an important monopoly in decision-making. France is a supreme example of a real neo-colonial country. Through the medium of French scholars, diplomats and military forces, France maintains a steady political and military control over its former African colonies. African are obliged to consult the international issues with their colonial" (Badi, 1996:65).

"Prominent examples of the (ii) ultra-neo-colonialism are the United State, former Russia and China who did not colonise any African states but replaced the former colonial powers. While the United State propagated the economic imperialism, the Soviet Union and China effused the ideological imperialism

(Badi, 1996:66). These new forms of colonial powers use economic and military aid as a means of getting support. Direct military interventions secure their economic and political interests”.

“The third form (iii) auto colonisation is voluntary and is undertaken by the African elite students who study in the European, American and China universities and accept their values. Upon their arrival to the homeland, they become officials, military or administrative officers and abide by the neo-colonial rules. They contribute to the adoption of development models which result in exploitation” (Badi, 1996:67).

Implications of China-African Engagements

In order to understand whether China’s engagements or investments are out of goodwill or imposes threats to the African continent, this paper will unpack the following implications, looking at both opportunities and threats of China’s engagement in African countries. For this paper, the author will only examine economic engagements.

Economic Engagements

Eigen (2012) indicates that China’s growing presence in Africa is one of the region’s biggest stories, but even seasoned analysts cannot decide whether this booming relationship is good or bad for Africa. Critics say Chinese strategy is entirely self-promotional, aimed at maintaining access to Africa’s precious mineral resources even when that means propping up odious governments. China’s supporters claim the Asian superpower is strictly neutral and business-oriented, preferring to generate economic growth not a dangerous dependency on aid. China has certainly been contributing to Africa’s economic growth, both in terms of trade, job creation, and transfer of skills and with building infrastructure. All over the continent, it has built roads, railways, ports, airports, and telecommunications (Eigen, 2012).

African Development Bank Groups (2012) indicates that China has increasingly become an important economic player in Africa. Chinese investments in Africa span across many sectors and are not confined to the Chinese government and large state-owned companies. Several private Chinese companies have also invested heavily in Africa especially in mining at Zambia and DRC to mention few. For example, Huawei, a Chinese leading global telecom services provider, has invested a total of USD1.5 billion and employs 4000 workers in Africa. According to African Development Bank Groups (2012), China’s trade with Africa has also grown progressively during the past decade reaching United State Dollar (USD) 160 billion in 2011 from just USD 9 billion in 2000. China’s share in Africa’s total trade has been phenomenal, rising to 13% from 3% a decade ago. The growth in China’s interest in Africa has been driven by the desire for Africa’s natural resources to sustain its rapid growth. Currently, China imports one-third of its oil from Africa and some of its investments are tied to resource mining. For example, Angola has exchanged its oil resources for infrastructure development. Nonetheless, Chinese interests in the region go beyond oil and other raw materials. This section will further look at the Foreign Direct Investments (FDIs) and Chinese mining companies that function in Africa. Hereafter, they are discussed.

Foreign Direct Investments (FDIs)

According to Wang (2002:119), since the mid-1990s China has been targeting developing countries for its investment’s projects. Consequently, China has increasingly been seeking new investment opportunities in Africa, often entering into a joint venture with either local or foreign companies. Chinese firms have invested in various sector in Africa, including resources, transport, agriculture, and trade. Chinese firms have also increased their investments in construction, largely, through infrastructure development projects. For the most part, African government has welcome Chinese Foreign Investment (FDI) which provides capital that African continent desperately needs (Mills and Shelton, 2003:33). According to Wang (2002:194), Chinese foreign investment aims to invest in the targeted sector and industries that contributes to achieving China’s overall aim at the expense of the African continent. This is evidence that China’s engagement in Africa is not of mutual interest or out of goodwill but rather absorbing international power and recognition through Africa.

According to Nowak, 2016 cited in Martuscelli (2020:286), China–Africa trade has developed in the recent two decades and for several African countries, China is today one of the most imperative trade partners. Total merchandise trade looking at exports and imports among China and Africa has enlarged from USD 9 billion in 2000 to USD 175 billion in 2015,1 making China Africa’s largest trade partner. The

composition of the trade flows shows that China imports mostly raw materials from Africa, in particular oil, and some food products, while it exports a more diversified bundle of low-cost manufacture goods. Moreover, Martuscelli (2020:286) confidently indicates that Chinese Foreign Direct Investment flows to Africa increased from USD 200 million in 2000 to USD 2.2 billion in 2012, making China the largest developing country investor in the continent. Chinese aid initiatives in Africa in the form of economic or technical co-operation have also increased remarkably in the last decade.

According to Botha (2006:90), there are several implications involved with regards to Chinese financial assistance to African countries such as Zimbabwe, India, and Kenya in which it has commercial interests for developing infrastructure that will facilitate Chinese commercial involvement in those countries as well as carrying favours with African elites. It evident that china's foreign aid is connected to china's companies who are contracted to provides the service for which aid is needed. Thus, China gains political and economic benefits through financial assistance to Africa. According to Shelton (2001:118), claim that China has assisted African countries by providing relieving some of the African debts as a goodwill gesture. Moreover, Thompson (2005:22), believe that debt forgiveness or debt relief earns China considerable leverage among African countries, thereby securing and ensuring political support in the United Nation (UN) and another international forum. Above discussion about China-Africa investments, it is evidence that China investments in Africa impose threats to developing African countries who fail to pay back the loans. The countries also at risks of losing their independence to China.

Chinese Mining Companies in Africa

According to Africa advice (2019) and Rapanyane (2020:56), Chinese mining companies, which are functioning in Zambia are NCF Africa Mining Plc, Non-Ferrous Corporation Africa Mining Plc, China Beijing Soly Technology Co. Ltd and Chambishi Metals Plc. There are other Chinese companies which are owned by China Nonferrous Metal Mining Company (CNMC) operating in Zambia such as Luanshya Copper Mine, Jianchua Mining Group and/ Nickel City of China (Li, 2010). Others such as Collum Coal Mine are smaller and do not trade with London Metal Exchange but rather export their minerals back to China unlike CNMC (Li, 2010; Rapanyane, 2020:56). Therefore, out of all mines functioning in Zambia's mining industry, China has 88% in the mining industry (Rapanyane, 2020:56).

In 2011, the copper mines which are under China in Zambia were reported to have been contravening the Zambian mining acts. This manifested in the form of having poor safety and health conditions. To add, Chinese hatred towards Zambia's trade unions escalated this matter as there were also labour hours of 12 to 18 hours per day which are abnormal in terms of the labour law. During the same year, China's Zambian employees argued that they were victims of brutal working conditions that infringed both Zambian and international standards of working (Smith 2011; Rapanyane, 2020). Lubinda and Jian (2018: 218) indicate that earlier before 2011 incidents, Xiao Li Shan, and Wu Jian Huawho served as managers of one of the Chinese mines in 2010 was found guilty of attempting to kill by shooting at least 11 Zambian workers who were demanding (protesting) better wages in the Collum Coal Mine of the southern town of Sinazongwe (Southern Province of Zambia). Both also argued that these incidents did not hit them by surprise as China was internationally known of its substandard human rights records (Lubinda and Jian, 2018). Despite this, since it arrived in Zambia in 1998, China's mining companies have managed to set up about 14 subsidiaries of CNMC to explore Zambia's mining industry. They also created over 140 000 jobs of which make them the biggest investors in the sector.

These mining companies were also able to fund *inter alia*; Sinozam friendship hospital (currently not operating) which is attested to offer free medical treatment to their employees together with their family members (Rapanyane, 2020). However, at the same time, "Director General of Zambian Development Agency, Patrick Chisanga, demonstrated the significance of China's investment in Zambia's mining sector as it supports Zambia's industrialization and contributes immensely to job creation" (Rapanyane, 2020). Despite China's positive contribution to the Africa continent, there is also negative, or threat imposed by the China's engagement in Africa such as victimization of people which the Afrocentricity theory aim to decolonize the mind and action of an African.

Results

This section provides a summary of results obtained from literature or critical content analysis. It is found that China-Africa engagements are mixed with both negative (threats) and positive (opportunities).

It is discovered that China has a large influence in Zambia over the mining industry. It is affirmed that China's investments in the mining sector control over 88%. This makes China companies in Zambia have dominance and controlling power in the mining industry. Therefore, it can be affirmed that Zambia and other Africa countries are at risk of losing their independence to China.

Limitation of the Study

Based on the nature of this study, the author(s) only focused on economic engagements between China and African continent. Even though, other studies, especially in international politics, they focus on both political and economic engagements as opposed to this study. By limiting this study to economic engagement, the author(s) was able to comprehend the implications that China investments have on the African continent. Therefore, the discussion was thoroughly limited to economic investments that China has on the African continent like FDI and Mining companies. For future research, the author(s) will focus on political engagements to understand policy implications and others.

Conclusion and Recommendations

This paper has examined the link between China and Africa to comprehend the mutuality between the parties involved. The paper focused mostly on China's engagement(s) in a form of economic engagements. Politically, Africa sees an opportunity to build an alliance with a growing world power which can support and promote the African agenda on the international level. For China, it sees an opportunity to get an African alliance for the legitimacy of its global influence as a rising power. Economically, Africa views China as an alternative source of investment and support for its economic development. So, it becomes clear that the China-Africa nexus is built on mutual interest and development. It has been evident that the China-Africa nexus have developed for the last decade with the spirit of partnership, where the collaboration has expanded in all areas of development *inter alia*; trade, investment, science, and technology. The paper also concludes by affirming that pragmatically, China's engagements or investments in Africa is a partly a new form of colonialism. By merely analyzing the three form of neo-colonialism. China-Africa relationship follows under ultra-neo-colonialism and auto colonialization which is based on economic interests and economic development. China's engagement with African is based on strategic political and economic considerations. It is, therefore, concluded that China's existence in Africa presents equally opportunities (economic development, e.g., employment creation, education, and health service) and threats (loss of Sovereignty), thereafter, African governments should be pro-active to exploit the potential opportunities.

Moreover, the paper further acknowledges the economic policy implications associated with the stakeholders. In that regards, the paper recommends that China should maintain its 2006 general principles and objectives of China's African policy. Hereunder are some of the general principles outlined as follows:

- Sincerity, friendship, and equality. China adheres to the Five Principles of Peaceful Coexistence, respects African countries' independent choice of the road of development and supports African countries' efforts to grow stronger through unity.
- Mutual benefit, reciprocity, and common prosperity. China supports African countries' endeavour for economic development and nation-building, carries out cooperation in various forms in the economic and social development, and promotes common prosperity of China and Africa.
- Mutual support and close coordination. China will strengthen cooperation with Africa in the United Nations (UN) and other multilateral systems by supporting each other's just demand and reasonable propositions and continue to appeal to the international community to give more attention to questions concerning peace and development in Africa. Above are some of the key principles of China's policy toward Africa.

The paper strongly urges China to maintain its objectives, mission without compromising its policy, Africa and should also avoid taking advantage of the vulnerable African countries. The relationship between China and Africa should be based on economic win-win cooperation.

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A means end approach to domestic lead tourism marketing in emerging tourism destinations.

Estone Musakabantu Muyobo
Evangelia Fragouli
University of Dundee, UK

Keywords

Domestic tourism; Laddering; Market segmentation; Means End Chain theory; Positioning; Targeting

Abstract

This research paper suggests the Means-End Chain theory, has relevant and potential application in domestic tourism research and, as such, should receive wider debate in emerging tourism destinations. It is argued that the theory is particularly useful for understanding personal values as the basis of tourist behavior. This paper argues a personal values approach is a more potent way to understanding domestic tourist participation in contrast to previous survey research findings. A dominant narrative in most developing nations is to target domestic tourist with amenities envisioned for global tourists as a result of failure to generate international tourist demand. The review of literature method was used in this research paper as methodological approach. The study shows the effectiveness of Means End Chain analysis in understanding travel markets and demonstrated the use of motivation chains as a basis for segmenting, positioning, and targeting domestic tourist; The study deduces that means end chain analysis has advantages over quantitative research methods in cross-cultural research given the ability of the approach to reveal unique insights.

Introduction

Over the last decade renewed interest in domestic tourism participation as a mechanism to foster robust tourism in developing countries can be seen from the numerous books, articles, and dissertations on the subject, contrary to the dominant narrative of the tourism industry propelled by Western tourists. Early experts in tourism management and marketing have linked domestic participation to a number of factors, such as economic growth, enhanced tourism amenities' and resource-based approaches. In addition, the direct application of marketing and management principles to domestic tourism participation is evident. For instance, Cohen et al, (2014) argue individual studies replicating one or a few consumer behaviour concepts borrowed from marketing and general management fields and applying them to tourism and many studies investigate the same effect (e.g., satisfaction loyalty), but the results cannot be compared due to differences in the research contexts based on tourist types or destinations, thereby hindering generalisation. As a result, the consumer attitude survey research has dominated tourism marketing with product attributes emerging as a focal point or putting it in other words the reason why superior performance of an attribute matters to the consumer of the tourism product.

Conceptual Framework

A conceptual framework is evolved that shows the relationship between possible exploitation of tourism potentials of emerging tourism markets, opportunities for domestic tourism to generate greater participation would depend upon embracing a marketing-oriented approach based on a values concept or Means End Chain theory (MEC).

The conceptual framework thus shows the linkage between promotion of domestic tourism by the identification of domestic tourist market segmentation, positioning and targeting using the means end chain approach as an alternative to the profiling segmentation and product attribute approaches.

Literature review

The means end approach assumes that consumers decide which products and services to buy based on the anticipated consequences (expected outcomes, need satisfied, goal or value achievement associated with each considered alternative. Means end chain theory additionally claims product attributes are less important in consumer decision making in comparison to anticipated consequences and personal values.

(Olson and Reynolds, 2001). The Means End Chain can be used most effectively in understanding the two main issues in consumer decision making: i) what choice criteria consumers use to evaluate the choice alternatives and choose among them; and ii) why consumers find these particular choice criteria to be personally relevant (i. e. salient or important) (Olson and Reynolds 2001). Consumer involvement grows when marketers bring out personally relevant psychological and sociological reasons for consuming their products, and consequently, involvement can be manipulated by marketing programmes (Peter and Olson, 2005). Traditional attitude research focuses on determining the relative importance of attributes and measuring perceptions about how well products perform with respect to important attributes, whilst means-end research focuses on determining the key choice criteria underlying a purchase decision, identifying how the choice criteria relate to product attributes, and understanding the reasons why the product attributes and related choice criteria are important or personally relevant to consumers (Whitlark et al., 2001; Cohen and Warlop, 2011).

Domestic tourism

The growing attention for quality from the consumer perspectives is an important development in the tourism industry (Jeng and Yeh, 2016). The World Tourism Organisation (WTO) also endorses this advantage and includes this as a major thrust in its "Tourism Vision 2020" which is a strategic thinking on priorities needed for countries seeking tourism development.

Quinn (2010) defines domestic tourism as the travel by residents of a country within the country, which can be same day or overnight within or outside the same state and territory but excluding travelling for work or school. The term residents in tourism literature refers to host community (Yang, 2012); local communities (Dadvar-Khani, 2012); rural communities (Eusébio and Carneiro, 2012); hosting communities (Lima and d'Hauteserre, 2011); community (Lepp, 2008).

In this research paper the broad definition of domestic tourism proposed by Hall and Lew (2009) is adopted. According to Hall and Lew (2009) the domestic tourism is the tourism of residents within the economic territory of the country of reference (Hall and Lew, 2009). Calls for many developing countries to develop and market their tourism potential is evident with significant gains recorded and emphasis placed on international and global arrivals (Mbaiwa et al., 2007). Despite consistent apathy within the developing world in developing domestic tourism, the sector has demonstrated its importance especially when used as a complementary segment, to the volatile international market. Domestic tourism has been noted to foster national pride among citizens, bridge the seasonality gap, increase employment and investment opportunities as well as increase benefits to SMEs (Bui and Jolliffe, 2011). However, the adoption of domestic tourism for sustainable tourism development is lagging in developing countries (Rogerson and Lisa, 2005; Scheyvens, 2007). Sindiga (1996) argues the heavily reliant on international clients by most developing countries is unsustainable. Ritchie and Crouch, (1993) suggest the continued neglect of domestic tourism by developing countries will continue to render their tourism industries unstable.

The pros and cons of domestic tourism

According to World Travel and Tourism Council (WTTC) report, domestic tourism accounts for 73% of total Travel and Tourism spending globally in 2018; Domestic tourism seems to be a key driver of the tourism sector.

Countries rely on domestic tourism as a tool to reduce poverty, improve infrastructure, generate employment and most importantly to drive economic growth.

The activities of domestic tourists create economic importance as the money spent on domestic tourism feeds back into that particular country's economy, providing itself with a more viable and prosperous economy. Domestic tourism is considered as a development factor, domestic tourism brings about an intermingling of people from diverse social and cultural backgrounds and also a considerable redistribution of spending power (Archer, 1978). Finally considering that the domestic tourism does not regard exchange of tourists with cultural differences from hosts, so its impact is not obviously harmful as of international tourism and its impact on international cultures. However, besides the positive aspects there are also negative ones such a) economic (e.g landprice inflation, seasonal variations, dependence on a single industry) b) environmental and physical (overcrowding, congestion, noise, water, and air

pollution in some areas) and c) social (e.g. increases in crime, changes in mode of living, feelings of inferiority (Pizam, 1977 as stated in Archer, 1978) which of course can take place of any kind of tourists' mobility.

Domestic tourism an African perspective

The African countries are presented with numerous opportunities and challenges in marketing their tourism industries the vast tourism potentials are to a great extent limited to how Africa has been perceived and branded over many decades. The problem here is Africa's distorted destination image may pose significant implication in the realisation of international and global tourists as African countries are generally confronted with a negative brand identity which may pose challenges in attracting international arrivals (Lepp et al., 2011), a risky continent (Lepp, 2008; Carter, 1998) and a wild jungle (Brown, 2000; Carter, 1998). The image of a destination is an important factor taken into account by tourists when choosing a place to visit (Gallarza, Saura, and Garcia, 2002; Pike, 2005); due to its importance in enhancing tourist satisfaction and affecting the intention of tourists to repeat their visit (Pike, 2005; Prayag, 2008; Tasci and Gartner, 2007). In a recent study on domestic tourism in Southern Africa, Morupisi and Mokgalo (2017) reported an increasing outbound movement by local residents, for leisure purposes of which they suggest, illustrated a higher propensity to travel which is a precursor to tourism engagement. However, domestic tourism consumption failed to match the good outbound leisure travel behaviour. Kwenye (2015) shares similar views, pointing out, a common belief that Zambian citizens would prefer to vacation in other countries rather than visiting their own natural tourist settings. Such low domestic tourism observations however are not only unique to Zambia. Similar observations have been made in the developing world though with some noted improvements in South Africa - especially among the black African population (Butler and Richardson, 2013). The literature dedicated to domestic tourism is relatively limited as most of the tourism literature focuses on international tourism. Notwithstanding its growth and potential to contribute to economic development, academic journals receive relatively few submissions based on research on domestic tourism in developing countries (Morupisi and Mokgalo, 2017). "Scholars investigating local residents' attitudes toward tourism have often used different types of measurement procedures based on positivistic paradigms" (Nunkoo and Ramkissoon, 2009.p.1). while very few researchers have based their studies on purely qualitative approaches. The neglect of domestic tourism by the wider literature has been identified by Cortes-Jimenez (2008), who describes tourism research as usually restricted to international tourism: "Most studies only analyse international tourism either because of unavailability of data or because of undervaluing domestic tourism" (p. 127). This bias against domestic tourism seems to be closely associated with the preoccupation of many governments to move tourism upscale and to maximize foreign exchange earnings (Cortes-Jimenez, 2008).

In conclusion to the above the following key point is deduced. The tourism product of developing nations is developed purely on attributes that appeal to international tourists whereby disregarding personal values and consequences of domestic tourists.

Methodology

The review of literature method was used in this research paper given that causal inference was possible using documentary evidence in attaining the key objective of the study; a values approach to understanding domestic tourism based on means end chain approach been a more potent way in understanding domestic tourist decision making in emerging tourism markets. Hence, a more practical method to achieve the study objective was to critically evaluate peer reviewed studies based on web searches, journals, and textbooks.

Findings/Results

Some empirical studies have been reported using Means End Chain theory for market segmentation, positioning and target marketing within different emerging tourism destination contexts.

Pezeshk et al. (2019) using Means End Theory identified revealed 12 attributes, 11 consequences, and five values that domestic Iranian senior tourists wished to achieve. The study constructed a hierarchical value map (HVM) which specified how Iranian senior tourists linked various attributes of domestic tourism destinations to definite consequences, and how such consequences helped them to satisfy their individual values. The study used the laddering technique and in-depth interviews with 30

Iranian senior citizens. A hierarchical value map of Iranian senior tourists was constructed, which identified seven key means end chains (MECs). They recommended key basis for the segmentation of the domestic senior tourism market and the formulation of destination positioning strategies within Iran; Li and Cai (2012) identify six key Means End Chains examines the travel motivation of Chinese outbound tourists at the levels of attribute, consequence and values based on Means End Chain (MEC) theory and laddering method. Two major travel motivation chains were identified (1) respondents visit destinations that are 'famous' or have a 'good environment' because they value 'the beauty of nature' and 'pleasure' and (2) respondents want to visit 'different' destinations, because they value experiences and knowledge. The study showed the effectiveness means end chain analysis in understanding travel market and demonstrate the use of motivation chains as the basis for segmenting the Chinese market; Watkins and Gnoth (2011) concluded that means end chain analysis has advantages over quantitative research methods in cross-cultural research. Their study revealed unique insights into Japanese travel experiences. They further argue that meaningful values research must consider not only those values that are commonly understood across cultures but also those that are particular to the culture in question, in order to understand what drives perception and satisfaction relevant for destination management and marketing. The findings of the study recommended on how to address a number of practical issues facing tourism practitioners, such as segmenting and positioning the domestic Japanese market; Nunkoo and Ramkissoon (2009) Found that the prevalence of socially oriented values (being with friends and family), whereas traditionally a museum visit has been linked to more individualistic values, such as education and knowledge.

This study recommended a key basis to reposition the Otago Museum in New Zealand. They deployed an exploratory study based on Means End Chain theory; In a study that examines the complexity and hierarchical nature of tourists' experiences at indigenous sites in Taiwan by Wua et al, (2019). Figure 1 below deconstructs experience patterns using a Means End Chain approach.

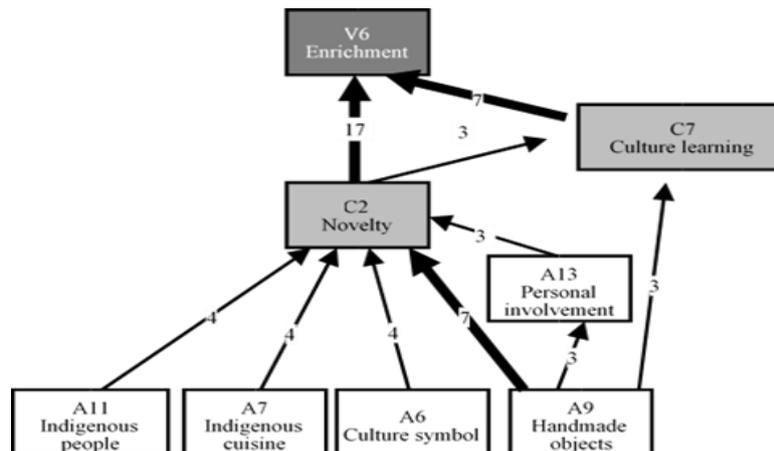


Figure 1 - Source: (Wua et al, 2019).

Their study found two value-led gains i) happiness and ii) enrichment. An experience spectrum was proposed from self-oriented, through self and others, to others-oriented, reflecting different orientations of pursuits that are expressed through experiencing indigenous tourism in various ways. Based on fifty-eight in-depth interviews hierarchical value maps were constructed. Three sets of indigenous tourism experiences were identified i) enjoying nature and a simple lifestyle ii) participating in indigenous activities, and iii) experiencing ethnic culture (see figure 2 below)

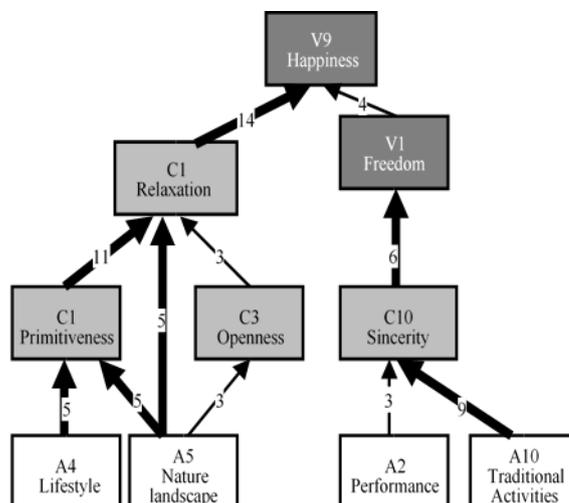


Figure 2 – Source: (Wua et al, 2019).

In a comparative study of Australian international tourists and Japanese domestic tourists Prozano, Kumi and Cheer (2020) using Means End Chain theory at the Nakahechi trail of Kumano Kodo, an ancient pilgrimage site located in Tanabe city (Japan) developed for international tourism. Australian tourists were selected because they were the most numerous international visitors to the site. In order to bridge the research gap, their study objective was to examine visitor diversification in pilgrimage tourism through a study of similarities and differences of values among domestic and international visitors. Results showed a variety of similarities and differences between the sampled nationalities, demonstrating a growing diversification in sacred sites which incorporates a complex range of elements related to leisure, sports, intercultural exchange, nostalgia, escapism, and relaxation, beyond a continuum of contemporary spirituality and traditional religion. Prozano, Kumi and Cheer (2020) concluded nationality is a fundamental factor for studying pilgrimage tourism in contemporary society. As pilgrimage sites continue to develop into international destinations, nationality is an important factor that requires further attention from academics. Results also have practical implications for local administrations aiming to develop their pilgrimage resources for domestic and international visitors.

Conclusion and Discussions

The empirical studies being reviewed have illustrated the Means end Chain approach could be employed as a standard consideration in market analysis and as a tool to achieve greater precision and effectiveness in market segmentation, positioning and target marketing. Careful assessment of values of domestic tourists and emerging value trends have allowed the identification of new product opportunities and the repositioning of existing products together with a more effective promotional strategy to create and reinforce a preference by appealing to centrally held values of the domestic tourists. Contrary, to an inability to provide accurate information for strategic marketing management is apparent the dominant positivism survey research approaches in tourism marketing, given a lack of homogeneity within members of a segment in terms of motivation, wants, needs, and behavioural patterns. Concomitantly, a general low level of correspondence between background variables and behaviour. Finally, the studies have shown that the Means End Chain approach when applied to domestic tourism has the ability to overcome the various challenges identified in the literature that impede maximum realization of the potential in domestic tourism at various levels, philosophical and methodological (Scott and Le, 2017), etic versus emic approaches (Toa, 2006; Maoz and Bekerman, 2010), policy and marketing related issues at destination management level (Mbaiwa et al., 2007; Michaud and Turner, 2006; Wu and Cai, 2006), others are more to do with socio-cultural and socio-economic aspects within destinations (Alipour et al., 2013; Cochrane, 2009).

Limitations and directions for further research

The critics to the Means End Chain Theory approach may represent the major limitation. For example, Bagozzi and Dabholkar (2000) point out two drawbacks to the means end chain approach. First,

it presumes that people's reasons are organized from concrete, physical criteria to abstract, intangible criteria, where people are needed to conform to this a priori ordering in using the laddering procedure. Second, as a consequence of this assumption, the procedure works best for physical products and is less well adapted to the marketing of ideas, people, or services, which are contexts not readily described by physical properties. Although laddering has been applied to services, it appears to work best for services when physical attributes are clear they further argue perceptions of product attributes, psychosocial consequences, and values are taken as units of knowledge, and the ordered connections between these units are interpreted as inference-based judgments.

Recommendations for further research

Explore ways to make means end approach more appealing to Destination Marketing Organisations (DMO) and tourism organisations in emerging nations. This follows claims by Olson and Reynolds (2001) findings of Means End Chain studies are subject to consultative in-house studies by large organisations, hence, most studies are not made available and subject to copy right restrictions.

Managerial and policy implications

From a management perspective, domestic tourism must be supported financially by local governments since it adds value to local communities. Via new infrastructures, marketing policies of products and services being offered, financial support the value of domestic tourism and the importance of local societies will be promoted, strengthening local economies. Investment on training programs should take place developing specific skills, competencies and knowledge needed leading to improvement of services and product driven by actual needs of domestic tourists.

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Effect of value-added services on transactional behaviour

Zoleka Mthembu

Seugnet Bronkhorst

University of Johannesburg; South Africa

Keywords

Value Added Services, redemptions, utilisation, qualifying, customer base, South African banking industry.

Abstract

Traditional banking methods evolved and included services as a method of differentiation, reducing operating costs, and providing additional benefits to the customer. Banks re-invented themselves and provide innovative solutions to remain competitive. This research explores whether using value added services contributed to changes in transactional banking behaviour and was done in one of the largest banks in South Africa over a period of four months. Two banking products in the youth customer segment were selected. The control group received one treatment at the beginning of the four-month period, and the experimental group received a further three treatments at different times of each month. Two data sets (1) VAS usage and (2) bank transactions were analysed. The results showed that the intervention had a positive effect on transactional banking behaviour. Additional causative factors were identified that increased the usage of value-added services and increased transactional banking behaviour.

1. The Introduction

The research focused on Value Added Services, as a marketing tool used by banks with the objective of increasing banking products' usage by the targeted customer. Highlighting the collective names given to similar programmes such as loyalty and reward programmes, companies aimed to meet the consumers' needs and objectives and the company or brand's objectives, to increase usage of products and increase sales and profits. A distinction between two types of VAS where it was a prerequisite that a customer performed a specific behaviour, such as performing a transaction before qualifying to receive an incentive, and where an incentive is made available to the customer with no conditions or prerequisite behaviour attached, was drawn. Three aims of VAS programmes, being, programmes that disbursed rewards to customers merely for establishing a relationship with the bank (for example, opening a bank account), programmes that awarded points to customers, rewarding their transactional behaviour, and lastly product-specific rewards, were highlighted. These incentive-based programmes needed to become tailored to target specific customer segments and provide a variety of choices to customers, including personalised services and communication to customers (Perkins, 2018:74). It is against this backdrop that the research focused on VAS as it relates to the transactional behaviour of a specific customer segment, the youth customer. Through research literature on incentive-based programmes and young customers, and quantitative data analysis of the research experiment case study, the study aimed to determine whether VAS had an impact on transactional banking.

2. Literature Review

Rewarding or enticing the customers using something that appeals to them, is a widely used strategy to drive usage and encourage brand loyalty that has been practised among a number of disciplines and industries (Nevskaya & Albuquerque, 2019:380). Different names have been used to describe these programmes and all have different objectives. The most common names that are used are loyalty and reward programmes. Chaudhuri et al. (2019:640) describe it as a "marketing investment designed to foster behavioural loyalty, and enhance services, in the form of non-core services". These programmes are also referred to as "servitisation" which is the "bundling of products with related services" (Zhang et al., 2015:26).

2.1 Bank Z as a VAS provider case study experiment

Bank Z, one of the largest banks in South Africa providing financial products and services, was used for the research study. The study focused on Bank Z's product Y and Studentz, a bank account targeting customers under the age of 18, and students registered at an institution of higher learning, respectively. The rationale for choosing the youth customer was driven by data analytics from Bank Z's data warehouse extracted by De Jager (2015), which showed that the average income of a customer joining the bank before the age of 20 brings in three times the average income of a customer that joins the bank after the age of 20. Furthermore, price sensitivity was a motivation for choosing these specific products as the banks did not charge monthly fees for these products. The VAS offered by Bank Z included discount vouchers at popular retailers and given that these are not banking products, they were provided by a third party.

2.2 Summary of the literature

Literature shows limited sources and research on VAS specifically, and a significant number of sources and studies were only conducted on other incentive-based programmes. Given the similarities between VAS and these programmes, the recommendations in the literature reviewed were practically applied to VAS. The studies highlighted the characteristics of successful programmes which included a simple construct that is easily understood by the customer, a personalisation, low running costs, a high usage, high customer value, acquisition, and retention (Nastassoiu & Vandenbosch, 2019:208; Perkins, 2018:75). In measuring programme success, Chaudhuri et al. (2019:640) showed a correlation between the introduction of a loyalty programmes and an increase in sales and gross profits (albeit as a short-term benefit) within the first year of such an intervention.

The most relevant to this particular study was repeated usage of the product, measured by customers' increased motivation to pay for a product, repetitive purchasing behaviour, increased usage and consumption, and willingness to refer other customers to use the products (Watson et al., 2015:791). The study also discussed literature recommendations for promoting usage. For instance, a recommendation by Bazargan et al. (2017:353) and Nevskaya and Albuquerque (2019:379) included explicit instructions on how to reach the next level, creating scarcity by setting an expiry date to the redemption of the incentive (for example, vouchers) as a measure to avoid devaluing the value of the rewards. These methods seem to be particularly useful to the young customer (Buszko et al., 2019:156; Wijland et al., 2016:56). Another recommendation made included scarcity messaging such as "available for a limited time only" or "on sale now, subject to availability" to promote purchases. Literature also encourages the aspect of allowing customers flexibility when it comes to methods of redemption (for example cash points) and variety of vouchers being offered to customers as a way of encouraging usage (Dorotic et al., 2014:340).

Creating value for both the customer and the firm, should be a key objective of banks (Nevskaya & Albuquerque, 2019:398). The research discussed studies on customer perceptions of VAS in the banking sector, where findings recommended that banks should provide a network of services that are technologically advanced, accessible on mobile phones, and are targeting a specific customer segment as a way of enhancing the bank's offering (Mahalakshmi & Saravanaraj, 2013:2845). The research further highlighted the importance of understanding the customer when developing products and services that would attract the customer and promote repeated use of the products and services (Roberts-Lombard & Paramasur, 2015:2). The need for banks to focus on what is relevant to the youth customer at this stage of their lives, the necessity of designing solutions that meet those needs and communicating these solutions in simple, easily understood language was also emphasised in the research. In highlighting the need to understand the youth customer, the study focused on the youth banking aspects that were of relevance to the customer including the use of mobile phones, technology and digitalisation (Salem et al., 2019:426). This customer segment is cited as having a proclivity for using banking mobile apps with a preference for functionalities like the ability to open multiple accounts, transfer between accounts, add personalised images, and at the same providing convenience (Wijland et al., 2016:56). Furthermore, the use of the branch was unflavoured and inconvenient (Chan et al., 2017:282).

Another key aspect further discussed was the customers' social environment, specifically highlighting the fact that the people closest to them influenced usage decisions (Hefner et al., 2019:82). The literature postulated the differences in age of young people and the contrasting influence that the young customer has on convincing a parent to make a purchase, and how organisations can use this to their advantage. This implicated a rebellious influence among teenagers and children, pestering the parent until a purchase was made (Chan et al., 2017).

The importance of engagement between the youth customer and the brand utilising the advancement in technology and use of smartphones and social media which facilitate easy and regular engagement, was indicated by Kumar and Reinartz (2016:36). In engaging the customer, the bank ensures that a continuous flow of information takes place between the customer and the brand. A challenge would be communicating financial information in an emotive and relational manner (Al-Rabayah et al., 2017:60).

3. Research methodology

The study used the quantitative research methods, data mining collection techniques and descriptive statistics. The observation data collection method was used in the research where the control group (with subjects receiving only one SMS advising them about the VAS), and the experimental group (with subjects receiving repeated SMSs advising them about the VAS at the beginning of the month, in the middle of the month and at the end of the month) were observed between November 2018 and February 2019. Data was collected from two secondary data sets, from the bank's enterprise data and the redemption data from the vouchering system using SQL. For the research experiment, the relevant transactional behaviours that were included were deposits, transfers, purchases, and prepaid purchases. The research was done using positivist and post-positivist paradigms associated with the quantitative research method, with the latter responding to the shortcomings of the positivist approach (Yin, 2018:62).

The population sample of the research consisted of Bank Z's youth banking in the Gauteng Province, selected on the basis that the researcher resided and was employed in the province. Additionally, the accounts were selected from those customers who provided marketing consent upon opening the accounts, thereby eliminating a burden of requesting customer consent for the experimental and control group for the research. For the experiment group, the research targeted a sample total of 1 500 Y accounts and a total of 4 000 Studentz accounts, with 1 083 from the Y account and 3 533 from the Studentz accounts (a total of 83.92% of the sample size) making up the experimental group and matching the control group.

The research also detailed the treatment given to the control group and the experimental group, wherein the control group was only exposed to a welcome SMS advising the customer of the VAS in the beginning of month 1, with no other treatment or communication made afterwards; and the experimental group being exposed to three treatments, at the beginning of the month, the middle, and the end of the month. Data was collected at the beginning and the end of the four-month period (pre-test and post-test) to allow for the full implementation of the interventions.

4. Findings

The aim of the research was to determine the effectiveness of using VAS on the youth customer's transactional behaviour by analysing the usage of these services as its primary objective. The study further sought to achieve the secondary objectives of:

- determining whether there is a difference in transactional behaviour between VAS users and non-VAS users.

- determining whether the customers' knowledge of the VAS has an effect on customers' transactional behaviour; and

- determining whether there are any demographic factors that influence the usage of VAS, and the research question.

4.1 Analysis of research results

Only youth customers in the Gauteng Province were targeted as a population, the total targeted sample consisted of 11 000 customers, with 3 000 customers being Y account holders and 8 000 customers being Studentz account holders. The account holders were then divided into two groups (1:1), the experiment and the control group. Of these groups, a further 1 083 out of 1 500 customers were selected

from the Y account holders, and 3 533 out of 4 000, from Studentz account holders, making up the experiment group. The experiment group, constituting 83.92% of the targeted sample was exposed to the intervention, and the control group was not exposed to the intervention. The intervention received by the experimental group, included the introduction, modification and communication of VAS to customers at level 1 to 3, three times in one month over a period of four months (where level 1 included the provision of information about the type of VAS, customers’ ability to choose a type of VAS, and the conditions under which customers had to perform a transaction; level 2 where customers received reminders about the VAS, and the SMSs were not blanket SMSs, but were personalised with each customer’s SMS bearing the customer’s name; and level 3 where each communication or SMS was personalised with each customer’s name and was adapted to the customer’s previous usage where there was history of usage).

The results of the quantitative research are shown in Table 1. The effect size was calculated by subtracting the mean transactions per cluster at the end of the 4th month, from the mean of the clusters at the end of the 1st month and further expressed as a percentage delta.

Table 1: Mean analysis of Y- Experimental group

1	Month	1											4										DELTA
2	CLUSTERS	1	2	3	4	5	6	7	8	9	10	11	1	2	3	4	5	6	7	8	9	10	
3	#ACCOUNT	586	312	69	56	21	18	9	5	4	2	1	686	294	51	24	11	8	4	2	2	1	
4	System_Debit Orders In	0	0	1	1	1	0	1	0	1	1	0	0	0	0	1	0	1	1	0	3	0	521%
5	Internet_Prepaid Airtime	0	0	1	0	1	0	1	2	0	0	0	4	0	0	1	0	0	0	8	2	0	1359%
6	Bank Merchants_Point of Sale	2	3	0	1	2	1	8	2	4	3	1	2	0	0	7	4	6	8	6	3	0	3493%
7	Internet_Transfers In	1	0	2	1	2	1	3	1	4	1	1	2	0	1	2	1	4	2	2	3	3	1744%
8	Bank Merchants_Purchase and Cash Withdrawal POS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	30%
9	Bank ATM_Cash Withdrawals	0	0	0	0	0	0	2	1	1	1	0	2	0	0	1	0	1	1	4	0	0	776%
10	Cash Acceptor ATM_Cash Withdrawals	0	0	0	0	1	0	1	0	0	0	0	2	0	0	1	0	1	1	0	0	0	429%
11	Bank APP_Own Defined Payments	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	-108%
12	Non Bank Merchants_Point of Sale	0	0	0	0	0	0	1	8	0	0	0	0	0	0	0	0	0	0	1	0	0	-652%
13	Cash Acceptor ATM_ATM Cash Deposit	1	0	0	0	0	0	0	0	0	0	0	4	2	0	0	0	0	0	0	0	0	616%
14	Teller_Cash Deposits	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	0	-255%
15	Non Bank ATM_Cash Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	70%
16	Internet_Transfers Out	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0	0	0	0	19%
17	Cash Acceptor ATM_Transfers Out	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	50%
18	Bank Merchants_Cash Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	55%
19	Cash Acceptor ATM_Cash Deposits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	86%
	Card Swipe																						
	Money-in																						
	Prepaid purchase/airtime/data																						
	Money-out																						

Source: Bank Z internal

The research selected a multivariable analysis using an unsupervised cluster analysis as the programme allowed cluster without instruction from the researcher. The information generated by the programme showed the results for the first month (November 2018) and the final month of the research (February 2019) and showed the changes and differences brought about by the intervention to the experimental group over the four-month period. Row 2 in Table 1 comprises the number of clusters, with Row 3 indicating the number of accounts in each cluster. The sum of number of accounts adds up to 1 083 account holders or customers in the Y account section (the experimental group).

Internet prepaid airtime

Row 5 in Table 1 shows the mean Internet prepaid airtime transactions carried out by customers over the four-month period across product Y accounts. The results show that only a mean of 5 transactions were made in the month of November 2018, and there was an upsurge to 15 transactions by February 2019, an increase of up to 1 359% according to the Delta results shown. By contrast, row 5 in the control group in Table 2 shows a decline in the number of transactions between the months of November 2018 and February 2019, where a 450% decrease was recorded in four months, as shown in the delta column. This upsurge in the experimental group may be attributed, to the modification and repeated communication about the VAS by the bank, which led to the increase in the customers’ transactional behaviour in this specific category of transactions. Prepaid airtime and data purchase by customers is a prominent purchase, given the wide use of cell phones and the need to stay connected. The results show a

positive correlation between customers increased transactional behaviour and the introduction, modification, and communication of VAS. The results recorded over the four-month period confirm the findings by Chaudhuri et al. (2019:640) that the introduction of a VAS programme has a short-term benefit of increasing sales within the first year. In this case, the bank is a reseller of prepaid airtime and commission income received from the sales thereof.

4.1.2. Bank Merchants Point of Sale (POS)

Row 6 in Table 1 shows the Bank's experiment group's merchants point of sale (POS) records during the period. At the end of month 1, only 27 POS transactions were recorded, compared to a mean of 36 POS transactions recorded at the end of month 4. The delta column provides the difference between the 2 periods calculated as a percentage change. The delta column shows that the number of POS transactions increased by 3493% in four months. In comparison, row 6 in Table 2 shows the control group's results for the same transaction. In month 1, a mean of 8 POS transactions was recorded, compared to only 2 transactions performed in month 4, showing a marked decrease of up 200% as shown in the delta column. This increase in the experiment group can be attributed to the effects of VAS, and the interventions provided to this particular group over the four-month period. The results affirm Kumar and Reinartz's (2016:36) assertions that engagement or communication with the customer is important for the success of a marketing strategy, which in this case is the VAS. As results show, the opposite, that is, the absence of communication and modification of VAS can lead to a decrease in the number of transactions performed by customers. The increase on the POS transactions over the four months recorded in the experimental group, also confirms Al-Rabayah et al.'s (2017:162) recognition that customer engagement is a key factor in customer retention, although their study focused on the use of social media.

Furthermore, when looking at the Y customers' transactional behaviour for POS transactions, in month 1, the largest cluster of account holders, cluster 1, each account holder performed a mean average of 1 transaction, compared to month 4, where a mean average of 2 transactions were performed per account holder. This shows a marked increase which can be attributed to the interventions.

4.1.3. Internet transfers in (EFT)

Row 7 on Table 1 indicates the results of the experimental group, the results for Internet transfers (EFT) into the accounts in month 1, a mean of only 17 transactions was recorded, and by the end of month 4, the number of transactions had increased to 20, showing an increase on the delta column of up to 1744%. By contrast, showing results of the control group, highlight a decrease in the number of transactions from 11 in the same period, a total decrease of 125%. The increase in experiment group transactions can also potentially be attributable to the interventions. Given that this transaction is Internet-based, the results are in line with Wijland et al.'s (2016:52) observations that the youth banking customer experience is associated with mobile and Internet banking. The ease of use, speed and overall convenience of transacting using Internet banking, the increase in this type of transaction by the youthful customer also supports Chan et al.'s (2017: 282) findings. It is therefore not surprising that Internet banking transactions increased in the four-month period of the research.

4.1.4. Non-teller deposits

Row 13 in Table 1 of the experiment group indicate the results of ATM cash deposits over the four-month period. Results show that in November 2018, only one transaction was performed from the youth customers in Gauteng, and after the four-month period, 6 non-teller deposit transactions were performed, signalling an upsurge of 616% as the delta column. In comparison, the same row 13 in the control group column shows a significant decrease in the same transaction recording a higher number of 10 transactions, and in the last month, recording 4 transactions, a decrease of 150%. Although, the messaging did not specify the channel to be used when making the deposits, the customer still chose to make use of an alternative physical channel to make these deposits. These results also attest to the findings of Chan et al. (2017:282), stating that a segment of youth is not inclined to go inside the branch.

4.1.5. Teller cash deposits

Row 14 in Table 1 exhibits the results of the teller cash deposit transactions performed within the four-month period. Interestingly, this is the only money in transaction that did not show an increase

during the research experiment. In the first month of the experiment, only 1 teller cash deposit was performed, and by the last month of the experiment, only 1 cash teller transaction was observed, marking a decrease of up to -255% according to the delta column showing the shifts during the experiment. Row 14 in Table 11 also shows a decrease in teller deposits for the control group where 19 transactions were recorded and in the fourth month, only 4 transactions were recorded, showing a 75% decrease. The results show that other factors may be at play in influencing this particular type of transaction that may not be mitigated by the interventions.

Table 2: Mean analysis: Experimental group for the Studentz account

1	Month	1																								4												DELTA
2	CLUSTERS	10_10_	10_11_	10_11_12_	10_2_	10_6_	10_8_10_	10_8_11_	10_8_12_	10_8_3_	10_8_3_9	10_8_5_	10_8_7_	10_8_8_11	10_8_8_2	10_8_8_7	10_8_8_8	10_8_8_9	5_	11_3_	11_4_10_	11_4_11_11	11_4_11_12	11_4_11_2	11_4_11_4	11_4_11_5	11_4_11_9	11_4_12_	11_4_4_	11_4_7_	11_4_8_	11_5_	11_6_					
3	#ACCOUNT	1	5	223	1	16	4	12	185	80	660	1	5	57	1,277	4	5	118	875	3	6	2	5	57	2	3	15	1,086	1,819	52	16	455	1	1	13			
4	Bank ATM_Cash Withdrawals	1	2	0	2	0	1	1	1	1	0	2	1	1	1	0	1	1	0	3	4	1	0	1	0	2	1	2	1	2	1	0	3	39%				
5	ATM Solutions_Cash Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-26%			
6	Non Bank Merchants_Point of Sale	10	2	0	3	0	0	0	1	1	7	3	2	1	0	0	1	1	0	15	4	1	2	8	2	1	1	3	4	2	1	8	3	71%				
8	Internet_Transfers In	1	2	0	2	0	1	9	0	2	0	0	1	0	1	0	1	1	1	3	4	1	0	1	2	2	1	3	1	2	0	7	1	17%				
9	Internet_Prepaid Airtime	2	6	0	7	4	4	0	3	5	1	2	6	3	3	4	3	4	3	8	3	3	0	1	2	5	4	5	7	7	6	2	6	1%				
10	Internet_Internal Transfers In	0	3	0	1	0	0	1	0	2	0	0	0	0	1	0	0	1	3	0	0	0	0	0	0	1	0	4	0	2	0	7	4	57%				
11	Internet_Prepaid Electricity	0	0	5	0	1	0	1	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	-72%				
12	Cash Acceptor ATM_Cash Deposits	0	0	1	1	1	0	0	0	0	0	0	2	0	1	3	0	0	1	0	0	0	0	6	2	0	0	0	0	0	0	0	0	1	-5%			
13	Cash Acceptor ATM_Cash Withdrawals	0	1	0	2	0	1	1	1	1	2	2	1	1	1	1	0	1	0	0	1	1	0	0	2	1	1	1	0	1	6	0	1	3%				
14	Cash Acceptor ATM_Prepaid Airtime	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-100%				
15	Cash Acceptor ATM_ATM Cash Deposit	0	0	0	0	0	0	0	0	0	0	0	1	0	1	1	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	-50%			
16	Non Bank ATM_Cash Withdrawals	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1	0	0	0	0	1	30%				
17	Bank Merchants_Cash Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-10%			
18	Bank Merchants_Point of Sale	8	19	21	15	12	8	26	12	17	16	7	18	4	5	1	7	10	5	32	20	13	0	16	13	18	8	21	18	24	25	32	20	22%				
19	Bank APP_Internet Real-Time Debit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0	0	0	0	1	26%				
20	Bank APP_Cash Send Transactions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0%				
21	Bank APP_Own Defined Payments	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	1	14%				
22	System_Cash Focus In	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7%				
23	System_Transfers In	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	2	143%				
24	System_Debit Orders In	0	2	3	2	1	1	1	1	2	4	0	1	0	0	1	1	0	1	1	2	1	0	1	1	2	1	4	2	3	1	2	3	16%				
25	System_Debit Orders Out	0	1	0	1	0	1	0	0	1	0	0	0	0	2	0	0	0	3	1	2	1	1	5	0	1	0	2	1	1	0	3	2	63%				
26	System_Unpaid Debit Orders	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	1	0	0	23%				
27	Teller_Transfers In	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0%				
28	Teller_Cash Deposits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0%				
29	Teller_Transfers Out	0	0	0	0	-1	0	0	0	0	0	0	0	0	0	1	0	0	0															-100%				
30	Teller_Internet Real-Time Debit	0	0	0	0	0	0	0	0	3	0	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-48%			
31	Teller_Internal Transfers In	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0															-100%				
32	Teller_Internal Transfers Out	0	0	0	0	2	0	0	0	0	0	1	0	0	0	0	0	0	0																-100%			

Source: Bank Z internal

Table 2 shows the results for experiment group for Studentz account holders. The Studentz account has more features than the Y account, as such there is a longer list of transactions recorded. For the purposes of comparing like-for-like, the same transactions are analysed, the Internet Prepaid airtime, the Point of Sale (POS), Internet transfers and non-teller deposits and teller deposits. The POS transactions for the experiment group in Table 2, row 18 show an increase of up to 22%, while row 20, between month 1 and month 4.

For the Internet prepaid airtime transactions, the experiment group shows a marked increase in the delta shift column, of 1% between month 1 and month 4, an interestingly insignificant increase. This may be due to the timing of the year, but the intervention had showed no sign of a noticeable impact. The control group results show an increase of 100% between the period of November 2018 and February 2019. This is a sharp contrast between the Product Y results and Studentz results for this specific transaction. No known explanation can be given for these results.

When it comes to Internet transfers-in (EFT) transactions, the experimental group results in Table 2 show an increase over four months in the number of transactions of up to 57% as indicated in the delta shift column. This increase in the experimental group result can be attributed to the intervention or the fact that the transfer may have been done by a family member with a Bank Z account.

For the non-teller deposits (cash acceptor ATM cash deposits), the experimental group shows a decrease in the number of transactions, of up to 5%, compared to the control group's results in Table 2 which shows a significant decrease in the number of transactions over a four-month period, by 84%. Lastly, the teller deposits for the experiment group in Table 2 show no movement, compared to the 7% increase for the control group over the same period. This non-increase in the experimental group may concur with Chan et al.'s (2017:285) findings that the youth banking customer is not fond of banking in the branch.

4.1.6. Effectiveness of using VAS on the youth customer's transactional behaviour.

From the research results, it is evident that using the VAS for youth customers to influence their transactional behaviour is effective, more so in the younger group of customers, product Y. Given the age demographic of the research, including students and children, the results indicate marked changes of the youth customers' transactional behaviour due to the VAS intervention. The positive results, mostly showing increases in the youth customers' transactional behaviour across transactions such as Internet prepaid airtime, EFTs, and deposits, give a good indication of the effectiveness of using VAS on the youth customers' transactional behaviour.

The decrease or rather the non-increase in the use of teller cash deposits transactions signals amongst other things, that this type of transaction may not be seen as valuable or convenient to a youthful customer (Chan et al., 2017:282). As Wijland et al, (2016:56) highlight, the youth customer is more in tune with much faster, more convenient, and effortless types of transactions.

The effectiveness of VAS on the youth customers' transactional behaviour can also be attributed to the use of products and services that appeal to youth customers, in line with Hoffman's (2019:118) assertions. The results of the research experiment also analysed the redemptions made by these customers. These results show marked inclination towards smartphone, Internet, and app banking. Table 19 further shows VAS products in the Y product that are popular with the customer that were redeemed, including connectivity (through data and airtime) food vouchers, activity, and travel vouchers. The results show that 67.35% of redemptions were made by the experiment group, highlighting that the majority of the users of VAS were those who performed more transactions. By contrast, the redemption rate for the control group, which was only exposed to one treatment in the first month, was a mere 32.65%. The results also show that the connectivity (redemption of data vouchers) tops the VAS redemption vouchers redeemed by the youth customers at 57.61%. This is followed by food voucher redemptions at 29.04%, with activity and travel vouchers being the least redeemed vouchers, respectively. This information is crucial for modifying the VAS and giving the youth customer choices of the types of redemptions that they value the most (in this case, connectivity).

4.1.7. Analysis of transactional behaviour between VAS users and non-VAS users

The research also sought to analyse whether there is any difference in the transactional behaviour of VAS users and non-VAS users. The analysis shows the results of the entire youth banking customer base and was further categorised between VAS and non-VAS users across Bank Z's product Y and Studentz accounts, with further disaggregated data showing the experiment group. The total number of transactions for the experiment group for product Y users is also shown. Furthermore, Table 2 indicates the average number of transactions per customer each month of the four months to highlight changes, if any, on transactional behaviour between non-VAS and VAS-users. Three types of categories of transactions were used to make this analysis, namely, deposits/transfers-in, POS purchases and prepaid purchases (airtime and data). Categorisation was then made between the total transactions in each type of transaction between VAS users and non-VAS users. The numbers in the columns indicate results over a period of 4 months. For each group, the results showed an average number of transactions performed by the customer. In the non-user's category, the average transaction per customer in the month of November 2018 was 0.6 compared to the VAS users' average transaction per customer of 2.1 in the same month. For the experiment group in the first month of the intervention (November), the results showed a higher average of transactions per customer, when compared to customers who made use of the VAS, but were not part of the experiment, 3.2 as compared to 2.1. These averages are both above the 0.5 average of non-users in the entire youth banking customer base in the same period. In December 2018, the overall non-users' average transaction per customer was 0.6 compared to the overall VAS users at 2 average transactions per month. For the experiment group, a significant increase of an average of 6.7 transactions was recorded in the month of December. In January, the third month of the experiment, the overall non-VAS users' average transaction per customer was 1.1 compared to the VAS users' group of 1.8 transactions in the same month. For the experimental group, the increase recorded in the month of January was quite significant, at an average of 8 (7.9) transactions. In February, the last month of the experiment, the overall non-VAS average transactions per customer was 0.9 compared to the overall VAS user transactions per customer which was recorded at 1.8 for the same month. The VAS-users recorded yet another significant average increase to 9 (8.7) transactions.

The results show a consistent higher than average transaction per customer for VAS users as compared to non-VAS users for the same period. Although some months show an increase in the number of average transactions per customer, the results still show the average VAS users' transactions per customer to be higher than the non-VAS users' transactions for the same period. In the experiment, the experimental group has consistently shown a significant increase in the average number of transactions, showing a correlation between VAS and transactional behaviour of customers, wherein the introduction of VAS promotes an increase in customers' transactional behaviour. Table 3 summarises the results of the comparison of transactional behavior between VAS users and non-VAS users.

Table 11: Results of the analysis of transactional behaviour between VAS users and non-VAS users

	Gauteng							
	Nov '18	Dec '18	Jan '19	Feb '19	Nov '18	Dec '18	Jan '19	Feb '19
Total Customers (users+non-users)	350,546	349,607	351,459	352,532	32,642	32,142	32,966	44,680
Users only	158,056	157,981	119,744	121,156				
Deposits/Transfers-in	192,624	154,654	98,990	105,259				
POS purchases	182,567	122,764	124,336	186,544				
Prepaid purchases	403,453	483,563	435,214	380,743				
Total	778,644	760,981	658,540	672,546				
Average Transaction/customer	2.221232021	2.176675524	1.873732071	1.907758728				
Non-users	83,002	85,134	153,926	124,809				
Deposits/Transfers-in	46,327	36,400	36,521	32,441				
POS purchases	4,451	4,171	3,796	2,336				
Prepaid purchases	37,764	36,752	51,402	40,879				
Total	88,542	77,323	91,719	75,656				
Average Transaction/customer	0.575224459	0.619530643	1.105021566	0.888669627				
Users	10,977	10,515	10,047	10,949	1,083	1,083	1,083	1,082
Deposits/Transfers-in	8,349	7,986	7,631	8,415	998	1,114	1,367	1,594
POS purchases	6,875	6,544	4,521	4,792	1,366	1,933	2,413	3,088
Prepaid purchases	7,981	7,121	5,974	6,671	1,144	4,256	4,853	4,711
Total	23,205	21,651	18,126	19,878	3,508	7,303	8,633	9,393
Average Transaction/customer	2.113966	2.059058	1.804121	1.815508	3.239150508	6.74330563	7.97137581	8.68114603

Source: Extract from the results of VAS users and non-VAS users in Sheet 1, and the author's research results

5. Conclusions

In conclusion, the research sought to respond to the problem statement, whether the introduction, modification and communication of VAS had an effect on customers' transactional behaviour. This was done within the purview of the context and purpose of VAS in the South African banking sector, through conducting a case study at Bank Z where the researcher was employed at the time. An experiment was carried out on Bank Z's products, namely Product Y and Studentz account targeting the youth customer, using the Gauteng-based youth customers as a research sample. Out of the sample, an experiment group and a control group were selected wherein the control group received a single level of treatment and the experimental group received three more treatment levels. The data was compared to the period at the beginning and end of the intervention. The results confirmed the literature review findings on VAS, that amongst other things, the introduction of VAS alone did not lead to an increase or repeated customers' transactional behaviour, but customer engagement and awareness (through repeated communication and modification of the VAS) was what led to this increase (Bruneau et al., 2018:145). This in turn, resulted in increased usage of the account (Chauduri et al., 2019:640).

Furthermore, the research results were expected to reveal insights on VAS usage and trends which could be used to set targets and measure success, as well as enhancing personalisation and targeted marketing. Youth products were previously launched and introduced by Bank Z into the banking market without VAS, which saw the product sales remaining low, with more than half of the bank accounts remaining inactive. In response, the study highlighted how Bank Z responded to these observations by bundling VAS to the youth accounts and relaunching them, with an expectation that this would increase usage of the accounts by 50%. The youth customers did not use the VAS or the accounts, and it is against this backdrop that the research was conducted, to determine whether the introduction, modification and communication of VAS had an effect on transactional behaviour.

Factors that contribute to the use of VAS by young customers, were driving their desired transactional behaviour. Such factors as customer engagement, customer experience, customers' social environment, consumer behaviour and value creation were emphasised as key to promoting the usage of VAS by the youth customer. The inclination to the use of mobile and Internet banking channels by the youth customers, also highlighted the need for placing priority on advertising, communication, relevance,

and value as considerations for success in encouraging VAS usage, as well as the bank's ability to understand the customer and continue providing solutions for them.

Chapter Three of the research comprised of the research methodology wherein the procedure that was followed in collecting data and processing it, including the description of the methodology, the population sampled, the sample size and analysis of the collected data, were explained. The concerns regarding experimental error and validity were expressed. With the research question at the centre of the research procedure, method and approach, a quantitative positivist research approach was used to collect data in order to reach findings that would answer the research question.

The findings of the study showed a direct correlation between the introduction, modification, and communication of VAS on the youth customers' transactional behaviour. The findings also showed that merely bundling VAS with the product, did not lead to the usage of the product. However, modifying the VAS, frequently communicating it to the youth customer (including how it is communicated by means of personalised messaging and modifying communication to the customers' transactional history) and creating rules (such as putting an expiry date for redemption of rewards), were what increased VAS usage.

6. Managerial Implications

To remain relevant or gain a competitive advantage, banks have to ensure that their products and services are not only attractive or appealing to the youth customer but are in fact also used by the customer. The banks may have achieved brand success by attracting the customer, however, the success of this customer segment lies in the frequent utilisation of its products and services. Therefore, in order to promote VAS and bank account or product usage, the bank must continue to meet the customers' needs.

7. Limitations and recommendations for future research

Although the research used actual transactional data, strengthening the freedom from bias, it paid little attention to the motivations behind the selection of bank and bank products. Future research could explore the youth's perceptions of banking services, and factors that drive the selection and usage of a particular bank.

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The interaction of employee trust & ethical decision making.

Evangelia Fragouli
University of Dundee, UK

Keywords

Trust, ethical decision making, leadership.

Abstract

Trust is seen to include both emotional and cognitive dimensions and to function as a deep assumption underwriting social order. *In the past three decades, the importance of trust in the workplace & its influence on organizational performance has been recognized by research scholars, and practitioners. This research paper aims to examine the impact of employee trust on leaders' ethical decision-making. This study applies literature review method to address the above subject showing that the impact of employee trust on leaders' ethical decision-making relates to organizational aspects, as well as personal characteristics of leaders. Consideration of organizational aspects include performance, effective communication, and organizational culture. The personal aspects relate to leadership self-certification, guilt, rational attitude, leader learning, and moral model. Further, this study suggests that employee trust enhances e& & motivates leaders to make ethical decisions. However, organizational culture and leadership personal characteristics may have a negative impact on ethical decision-making. This study suggests that organizations could make collective decisions on major issues to reduce the impact of these negative factors on ethical decision-making.*

Introduction

Negative working atmosphere creates a highly stressful and undesirable environment for everyone. Within such organizations, employees withhold their talents, creativity, energy, and passion. As a result, they lose productivity, their innovation capabilities, their competitive edge, and more. Trust in the workplace has a big impact on how employees collaborate and work together. When employees trust their employers, they are much more likely to work together towards achieving the same ultimate business goals. According to Mayer (1995 as cited in Kumar et.al, 2017), the idea of trust focuses on the perception of trustworthiness of trustee (who is the person that is being trusted) as an antecedent to interpersonal trust; trust is defined as the willingness of an individual to make him or herself vulnerable to the actions or conduct of another. According to Robinson (1996 as cited in Kumar et.al, 2017), "trust refers to one's expectation, assumption, or belief about the probability that another's future action will be beneficial, favourable or at least not detrimental to one's interests" (p.6). In 1998 Rousseau (as cited in Kumar et.al, 2017) emphasized two crucial features which appear to be the core to the most definitions of trust: "positive expectations and willingness to accept vulnerability." The positive expectations include confident beliefs kept in the trustors that the trustee is competent, honest, and caring enough that is worthy of their trust. Next, the willingness is to accept almost all the vulnerability reflects an intention to depend on others. In consequence, employee trust can be summarised as the employees keeping expectations on the corporate leaders currently and in the future and the employees are also willing to take risk for the corporate leaders to do something that is not in the employees' plan, additionally, the employees also empowered the corporate leaders the power to hurt them. According to Barney (1991 Kumar et.al, 2017), employees in an organization must be talented enough to achieve sustainable competitive advantage and the competitive advantages are derived from the efforts and capabilities of employees. Trust is significantly related to group commitment, affective commitment, and job satisfaction (Kumar & Saha, 2017). Affective commitment is the attitude that reflects the thoughts such as identification, attachment and loyalty to the subject, affective commitment has a strong relationship with group level outcomes and citizenship conducts. Group commitment helps the organization to prompt the commitment of employees toward a work group and helps to identify employees themselves with their work group (Levine & Moreland, 2002 as cited in Kumar et.al, 2017). Therefore, it is important and necessary to build trust among employees and employers.

Companies' decision-making normally has a serious impact on their stakeholders. Coupled with the exposure of numerous corporate scandals, the public is increasingly paying attention to companies'

day-to-day operations. As a result, experts have conducted a lot of research on the ethics of decision-making. Many of these studies are about factors that influence ethical decision-making. Specifically, they focus on the influence of a leader's individual characteristics (such as gender, education, and experience) and organizational characteristics (such as atmosphere, culture, and system) on ethical decision-making (O'Fallon and Butterfield, 2005). However, these studies seldom involve the impact of employee trust on leadership ethical decisions. It is widely acknowledged that employee trust is an important measure of leadership, so leaders are always trying to win their employees' trust (Dirks and Ferrin, 2001). It, therefore, makes sense to examine the connection between the employee trust and ethical decision making. This research will fill the existing gap by synthesizing relevant previous research.

This research begins with the definition of trust, ethical decision making, and employee trust; and then analyses the factors that influence employee decision-making by referring to previous literature. By comparing and analysing these factors, this study tries to find its positive as well as negative impacts. Finally, the study provides suggestions on how to lead trusted leaders in making the ethical decisions. The literature review method will be used in this research. This method is considered as the most commonly used research method by students and researchers (Turner, 2018). Imel (2011) treats a literature reviews as part of larger study or as part of research efforts. This study will use this method to analyse literatures related to employee trust and leadership ethical decisions.

The context of trust and employee trust

Trust is difficult to be defined (Simpson, 2012). However, most scholars claim that trust is a state of relationship based on psychological expectations. For example, the definition from Gambetta (1988, p116) is, "A particular level of the subjective probability with which an agent assesses that another agent or a group of agents will perform a particular action, both before he can monitor such action (or independently of his capacity ever to be able to monitor it) and in a context in which it affects his own action." Furthermore, Khodyako (2007) indicates four bases of a trust relationship: (1) the reputation of partners and actors, (2) an assessment of the current behavioural environment, (3) assumptions about partner behaviour, and (4) the belief in the honesty and morality of the other side'.

Employee trust 'develops when individuals must generalise their personal trust to large organizations made up of individuals with whom they have low familiarity, low interdependence and low continuity of interaction' (Lewicki and Bunker, 1995, p.270). Therefore, the foundation of employee trust is the trust between people. Siebert, Martin, and Bozic (2016) argue that employee trust spans all levels of the organization, including trust between employees, employee trust in senior management, employee trust in their supervisor / leader, and employee trust in the entire organization. A leader's ability to build trust among employees plays a major role in determining their success as a leader in an organization (Fragouli, 2019). In addition, Mayer, Davis & Schoorman (1995) argue that in the process of building trust, the leader's trustworthiness will be examined by employees on three components: competence, kindness, and honesty. Competence means a leader has the ability to do right thing. Kindness indicates whether the leader's personality is compassionate, caring for employees, kind, empathetic, and committed to common goals. Honesty indicates objectivity and fairness to the trustee. The role of honesty in moral decision-making is considered to be the most important one (Lee & Selart, 2014). In addition, while developing employee trust, an important basis is the performance of previous leaders in the organization (Borum, 2010). In cases where leaders and organizations made fair and ethical decisions in the past, employees are more likely to trust them. On the contrary, if leaders and organizations harmed the employees by behaving unethically, the employees may treat them as untrustworthy.

Conceptualizing the context of ethical decision-making

An ethical decision is a decision that is largely accepted by society, both legally and ethically. On the other hand, unethical decisions are either illegal or morally unacceptable by larger communities (Pohling et.al, 2016). Rest (1986) divides the ethical decision-making process into four phases, ;(1) acknowledging moral or ethical issues; (2) making judgments based on certain ethical standards, (3) placing the importance of the ethical part of the decision on all other concerns, and (4) acting on ethical principles.

A large number of previous studies have shown that the factors that influence leaders to make ethical decisions can be divided into three aspects (Kuntz et al., 2012). The first is the leader's personal factors, such as gender, education, and work experience. The second is the organizational factors, such as organizational culture, organizational atmosphere, and organizational system. The third is external environmental factors, such as business norms or a country's legal system. However, this study discusses the impact of employee trust that does not change the external environment of the organization. This study will, therefore, conduct the analysis from the personal and organizational perspectives.

Organizational Perspective

Organizational Performance: Many previous studies on trust have been based on the social exchange theory (Blau, 1964). According to this theory, the trust relationship between the two parties is an exchange relationship, and mutual trust may have an important impact on the two parties' behaviour and intention. When employees trust their leaders, they may be more willing to improve job performance to provide benefits (Brown et al., 2015; Hsieh & Wang 2015; Brower et al., 2008). Additionally, they are likely to have a more positive attitude and willingness to maintain exchange relationships (Dirks & Ferrin, 2002; Mayer & Gavin, 2005). From another perspective, trusted leaders also benefit from this trust relationship such as through better organizational performance and lower turnover rates). As such, trusted leaders should also be active in maintaining this relationship. However, social exchange theory also argues that subordinates do not trust their leaders unconditionally, but that they may have a history of successful exchange (Blau, 1964). In other words, leaders have proven themselves to be trustworthy, or competent, kind, and honest. As a result, trusted leaders continue to make ethical decisions to strengthen employee trust and thereby improve organizational performance. In addition, imitation theory proves from another perspective that trusted leaders may make ethical decisions. According to the theory, when employees trust their leaders, they may have the motivation to imitate their leaders' behaviour (Mayer et al, 2009). That means an ethical leader will ultimately affect the employees' ethics and as a result increase the organizational performance. Similarly, unethical leaders can also negatively influence employees resulting in unethical behaviour among them and decreasing organizational performance in general. For these two reasons, employee trust increases the likelihood that leaders will make ethical decisions.

Effective Communication: During the process of employees building trust in their leaders, they are often willing to communicate with them, share their knowledge, and get more information that will help the leaders make ethical decisions. Different employees have different educational backgrounds, work experiences and skills. When employees trust their own leaders, they are more willing to share their opinions and suggestions. Thus, leaders can get effective information provided by employees from different perspectives and positions (David, 2005). This information can help leaders think more comprehensively about an issue before making a decision. As a result, the decision they come to is likely to be effective as well as ethical. It is easier for employees and leaders to communicate effectively when employees trust in leaders (Mishra and Morrissey, 1990). Through communication, leaders can better understand the real thinking of employees and the direct benefits that employees want. When leaders understand their employees better, they will consider their interests more when making decisions. Taking their employees' interests into consideration may help leaders to make more ethical decisions. When employees trust leaders, communication will be more effective between them. Through effective communication, the leader can anticipate the employees' emotional changes and reactions and provide the necessary assistance in good time. Leaders can, therefore, understand their employees' emotions and thoughts when making decisions, and through this understanding they can make the decisions in an ethical manner (Kelloway, 2012).

Organizational Culture: Son Hing et al., (2007) believe that when higher social dominance (SOD) leaders are combined with right-wing authoritarianism (RWA) followers, leaders are more likely to make unethical decisions, and followers also trust leaders' decisions. In an organization, ethical decision making is made in a hierarchically marked social environment. In this social environment, when the superior expresses the idea of making unethical decisions about the subordinates, the hierarchical relationship between them may influence subordinates to accept it. Moreover, the authors mention that RWA people will obey people they believe to be legitimate authorities and have a tendency to engage in authoritarian aggression. The high SOD leaders' authority is an important reason for employee trust. Compared with

the leaders from low SOD, they are harder on their employees and lack the patience to communicate with the public. Thus, when RWA followers trust leaders with higher SOD, they are prone to dictatorship. When the leader becomes the embodiment of authority, leveraging their authority and their followers' trust, it's easier to deceive them and convince them that the leader is making the right decisions. The sense of guilt that results from unethical decisions is greatly reduced. The blind trust of followers reduces the cost of leaders' unethical behaviour.

Personal Perspective

Henry Stimson necessitated trust in an individual as a fundamental aspect in ensuring that someone has the virtue of being trustworthy (Seldon, 2011). Employee trust has been described to focus ideally on the trust employers are accorded by their employees, thus the power of employee and the organization they work for is unequal. It is never an assurance that an organization's employees will trust in their leaders, rather it must be earned from the start and subsequently maintained over the course of the employees stay at the organization. In this part, information on employee trust effect on leadership decisions was mostly available for self-certification, guilt, rational attitude, leaders' learning, moral model, and pressure in decision making.

Self-certification: Prior studies have shown that employee trust affects their leader's decision making through self-certification. This is where the leader experiences pressure to prove his or her competence through the decisions they make. A leader builds trust by being approachable and friendly to his employees, as well as fulfilling their promises. According to Kouzes and Posner (2010), trust creates a willingness in the employees to follow their leader. As such, when a leader is aware of the fact that employees under them have trust in them, they come under pressure to ensure that they do not lose this trust as they will have lost the influence they have on the employees. Therefore, based on this fact the leader is pushed towards making more ethical decisions as they try to keep the trust they have on their employees. Additionally, employee trust contributes to ethical decision making by improving access to information between the leader and the employees, this is according to a study by Fragouli (2019). The finding of this study further ascertained this notion of self-certification, as it showed that when employees trusted their leaders, the leaders leaned towards proving their ethics in the decision they made.

The feeling of 'being guilty': Leaders who have gained their employees' trust may feel guilty if they make unethical decisions, such as those that are unfair to employees or those that risk their safety at work. Guilt is a cognitive experience that occurs when a person believes that he or she has compromised their own standards of conduct or violated universal ethical standards and is primarily responsible for the act (Baumeister, Stillwel & Heatherton, 1994). Lee & Selart (2014) argue that feelings of guilt are likely to prompt leaders to make more ethical decisions. In addition, the relationship between the employee and the leader determines whether the leader will feel guilty after making an unethical decision. However, Lee and Selart's research also shows that not all people make morally acceptable decisions because of guilt. Some leaders may deliberately ignore the guilty feelings stemming from their unethical decisions. Further, leaders might collude with trusted employees to make unethical decisions to a third party inside or outside of the organization. Similarly, another study by Nicker and Sullivan (2018) suggests that trust relationships may increase the tolerance of moral issues, especially when these issues can deepen trust relationships. For example, the emissions scandal of Volkswagen in 2015 could be seen as an unethical decision by leaders and employee representatives. Although they did not directly participate in the scandal, the ambitious goals set by the board and the limited budget did lead to the root cause of the problem (Crête, 2016).

Rational Attitude: The ethical decision-making model established by Woiceshyn (2011) divides the handling of business ethics decisions into conscious processing and subconscious processing and believes that leaders with rational self-interested ideas are more likely to make ethical decisions. Unethical decisions may harm the interests of decision makers themselves, although they may bring temporary benefits. When maintaining a rational attitude, decision makers can maintain a long-term perspective, not deceived by temporary interests. Moreover, during the process of leader's subconscious judgment in the face of decision-making, maintaining rationality is one of the important factors making the right choice.

Leaders' Learning: Employee trust may help leaders learn from mistakes and avoid making mistakes and unethical decisions in the future. Once leaders make mistakes or make unethical decisions during the decision-making process, they will not only be psychologically self-stressed, but also more likely to lose support from employees and the company (Schyns and Hansbrough, 2010). However, when employees choose to continue trusting the leaders, it gives the leaders a strong encouragement in spirit, and also greatly encourages the leaders to learn from the previous mistakes, thus avoid making the same mistakes in the future. This is a process in which both employees and leaders give each other trust and understanding (Carmeli et.al, 2012).

Moral Model: Trusted leaders have been demonstrated to have the tendency of becoming moral agents in the organization (Fragouli, 2019). According to Fragouli's study, it was found that trusted leaders harboured a feeling of responsibility to be good to their employees which further skewed their decision to be more ethical. Moreover, trusted leaders tend to bear a sense of accountability and accepting responsibility for the eventual outcome (Memiyanty, Putera, and Salleh, 2010). According to Memiyanty, Putera, and Salleh, the leader's ethical awareness is a key in employee trust. This means that leaders, who have their employee trust, must in the first place have had ethical awareness. Thus, these leaders are pushed to keeping this ethical awareness through their knowledge that their employee trusts them, thus making ethical decisions.

Pressure: Based on the analysis above, trusted leaders have proven that they are trustworthy, and they need to be proven continuously. However, employee trust can also put pressure on leaders to some extent. McGeer and Philip (2017) argue that moral life is inherently a struggle, including a constant struggle to maintain appreciation for trust-related reasons, and to maintain a response to those reasons. As a result, leaders may feel the pressure of trust when making decisions. However, many previous studies have shown that stress can have positive or negative effects on leadership decisions, and even make wrong decisions.

Discussion

Based on the above research, it is clearly shown that leaders who have the trust of their employees are more likely to make ethical decisions because trust bestowed upon these leaders encourages them to learn from their earlier failures. In organizations, leaders are tasked with playing the critical role of keeping as well as the establishment of ethical culture within the organization sections they lead. As such, with such responsibility laid placed on these leaders, they often must lead by example as they cannot call on their employees to practice ethical decision making while they themselves do not practice the same (Fragouli, 2019). However, many of today's organizations place more emphasis on a leader's ability, academic knowledge, and techniques at the expense of the leader's morality, which has led to many employees in the organization not having any trust for their leaders. In addition to employee learning, employee trust plays a role in a leader's ethical decision making as this trust induces the need for the leader to be an effective leader. On the other hand, effective leadership is an attribute that cannot separate from ethical behaviour as they are intertwined (Siltaoja, Lämsä and Kujala, 2019). For leadership to ensure achieving any meaningful progress, moral collapse cannot go with the progress. Upright morality is the precursor of a successful organization's successful achievement of its goals. This is because for the organization to function, teamwork is a core attribute that must be present, teamwork cannot exist where moral decadence is present. As such, this leaves the leader with the conscience that they are being watched by those under them and thus they set the pace in ethical conduct. Excellence in leadership cannot be achieved without moral uprightness, a trait that reflects in the leader's moral vision, integrity, value for others and most of all the virtue of responsibility. With these traits, the leader is bound to make ethical decisions leadership.

However, according to Michael and Kenneth, the personal factors can also lead to unethical decisions, these include the leader's knowledge, personal goals, culture, and personality (O'Fallon and Butterfield, 2005). To begin with, knowledge determines the chances of one making informed decisions on a matter, which denoted ethical choices. Values, on the other hand, determine an individual's judgment and standard behaviour. For instance, some individuals have no value of integral behaviour. Thus, they would have no problem making unethical decisions that affect other employees negatively. Gender has also been shown to be contributing individual factor to one making ethical decision. As such, according to

research, it has been shown that women tend to make more ethical decision as compared to men (O'Fallon and Butterfield, 2005). In addition to these, other factors such as cultural norms also affect a leader's ability to make ethical decisions, as it is a determinant of one's values and perspective on various matters.

In order for an organization to reduce the effect of these personal factors, it is important the organization to do the following: First, the organization can institute making of collective decisions, these reduce the chances of personal bias from resulting in unethical decisions. They also help in collective knowledge, where every employee gives their insight on the matter allowing the making of an informed decision that is also ethical. In addition to this step, an organization can also enroll their leaders in training activities that enlighten them on the positive impact of ethical decisions in an organization. Leaders, who understand the impact of ethical decisions on sustaining employee trust in them as their leader, tend to ensure that they make well informed and ethical decisions. Ethical leaders show unwavering commitment to their moral beliefs and values during decision making and problem-solving, ensuring they give the employees a chance to trust that the decisions they make are for the best of the organization and the employees in general, further enhancing their trust in their leadership.

Conclusion & Limitations

This study explores the relationship between employee trust and ethical decision making. First it introduces relevant definitions, including trust, ethical decision making, and employee trust. This paper then studies the influences of employee trust on leadership ethics through literature review. The influences are divided into organizational and personal perspectives.

The findings indicate that trusted leaders may make more ethical decisions for the benefit of the organization. This is because ethical decisions can improve organizational performance and increase organizational communication efficiency. However, due to the influence of leadership authority, leaders can also make unethical decisions. Considering the impact from a personal perspective, leaders may be affected by the feeling of self-certification, guilt, rational attitude, leaders' learning, moral model, and the pressure of trust during ethical decision-making. Overall, this paper argues that leaders who are trusted by employees are more likely to make ethical decisions. However, leaders' and employees' personalities also play a role in decision-making. This paper further recommends that using decision-making groups to make major decisions can reduce the impact of personal reasons on decision-making.

The findings of this paper have important application value. To improve the ethical standards of decision-making, it is important for organizations to develop employee trust. However, to reduce the moral hazard of individual factors for decision making, the group decision-making method can be used by organizations during major decisions. Furthermore, an organization can also involve their leaders in training activities that allow them to understand the positive impact of ethical decision making in the organization.

The main limitations of the present study regard the methodology and the perspective of the research. The findings based on the literature review approach could be enhanced by the administration of an empirical study also showing the impact of employee trust on the interaction of the organizational & personal aspects of leaders & leadership, as well as, on building leaders' trust towards others. The latter would also enrich the perspective of the study.

Recommendations

This research studies the relationship between employee trust and the ethics of leadership decision-making and draws a conclusion through literature collection and literature analysis. However, due to time constraints, this study was not able to collect and analyse all relevant literatures. In addition, this study only collated previous studies to discover the relationship between employee trust and ethical decision making but did not collect data for verification. As a result, the conclusions of this study may have limitation. However, since both employee trust and ethical decision making are important items in management, their connections deserve further research. Subsequent research is suggested to collect literature more extensively or verify the conclusions of this study by data collection and analysis.

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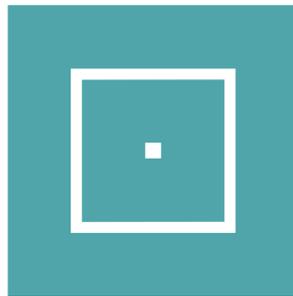
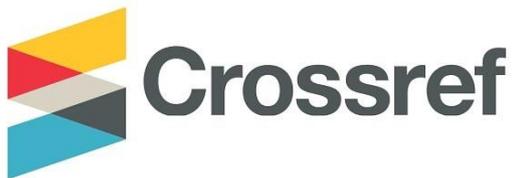
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Hezekiah O. Falola, **Covenant University, Nigeria**
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Juan Carlos Botello, Universidad Popular Autónoma del Estado de Puebla, Mexico
Khaliquzzaman Khan, Dhofar University, Oman
K. M. Moorning, Medgar Evers College, New York, USA
Khaled Rouaski, High National School of Statistics and Applied Economics, Algeria
Keifi Karim, CERi, ISTEc Paris, France
Lela D. Pumphrey, British University in Egypt, Cairo, Egypt
LO, Olivine Wai Yu, Hong Kong Shue Yan University
Lobna Ali Al-Khalifa, National Authority for Qualifications & Quality Assurance of Education & Training (QQA), Bahrain
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Michael Chattalas, Kean University, New York, USA
Mukherjee, Deepraj, Department of Economics, Kent State University, USA
Mudrajad Kuncoro, Gadjah Mada University, Indonesia
Müğe Çetiner, **İstanbul Kültür Üniversitesi**
Mohammad Mahmoud Alzubi, Al-Madinah International University, Shah Alam, Malaysia
Mohammed Nuhu, Universiti of Utara Malaysia, Malaysia
Narentheren Kaliappen, **Management Universiti Utara Malaysia, Malaysia**

Noor Hasmini Hj Abd Ghani, Universiti Utara Malaysia, Malaysia
Noha Bendary, The British university in Egypt, faculty of BAEPS, Egypt
Oliver Menk, University of Salzburg Business School, Austria
Pellegrino Manfra, University New York, USA
Philippe Coffre, Léonard de Vinci Pôle Universitaire, Research Center, France
Robertson K. Tengeh, Cape Peninsula University of Technology, South Africa
Rachael English, De Montfort University, UK
Rajeev Sooreea, Dominican University of California, USA
Rahul Gupta Choudhury, IFIM Business School, Bangalore, India
Reham I. Elseidi, Ain Shams University, Cairo, Egypt
Ruth Marciniak, Glasgow Caledonian University, UK
Sampath Kumar, University of Wisconsin Green Bay, USA
Sally Ebrahim Elawady, Qassim university, Saudi Arabia
Slava Shavshukoff, Saint Petersburg State University
Sławomir Kotylak, Uniwersytet Zielonogórski / University of Zielona Góra, Poland
Stephen P. Magee, University of Texas at Austin
Shaymaa Farid Fawzy Ahmed, Arab Academy for Science, Technology and Maritime Transport, Egypt
Shivakanth Shetty, Sivakantha Setty Institute of Management
Srinivas Sampalli, Dalhousie University, Halifax, Canada
Surabhi Singh, G.L Bajaj Institute of Management & Research, India
Tanuja Sharma, Management Development Institute, Gurgaon, India
Tom A. Buckles, Azusa Pacific University, USA
Tinashe Chuchu, University of the Witwatersrand
Umapathy Ananthanarayanan, New York Institute of Technology, USA
Vidhu Gaur, Management Development Institute, Gurgaon, India
Warren Mathews, Belhaven University, USA
Wincenty Kulpa, University of Rzeszów, Poland
Yongmei Bentley, University of Bedfordshire, UK
Zaid Ahmad Ansari, Qassim University, Buraidah, Qassim, Saudi Arabia

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Name of the Contributors

A. Koopman	Maluka Harriet Rivalani
Amani Younes Merzeban	Majharul Islam
Ayman Shawky	Mohamed A. Ragheb
Charles Kebaya	Nethavhani, Andani
Dale McGregor	Nicholas Brown
Ebenezer Y. Akinkoye	O. O. Olasanmi
Ermira Repaj	Rahul Gupta Choudhury
Estone Musakabantu Muyobo	Riley Carpenter
Evangelia Fragouli	S. Perumal
Gairik Das	Sharmin Sultana
Ghada Zaky	Sohini Dutta
Ismail M. El-Sayed	Sk Zahin Arabi
Israel S. Akinadewo	Shaun Parsons
Jacqueline Kisato	Seugnet Bronkhorst
JoAnn Rolle	Tracy Kraus
John Mamokhere	Zoleka Mthembu
K. Perumal	Z.E. Cebisa
M. Williamson	

Centre for Business & Economic Research (CBER)

79 College Road, Harrow, Middlesex HA1 1BD, UK

Email: editor@cberuk.com; Web: www.cberuk.com