A RESEARCH PUBLICATION OF SKYLINE UNIVERSITY COLLEGE,
SHARJAH, UNITED ARAB EMIRATES

ISSN 1998-3425

SKYLINE BUSINESS JOURNAL

VOLUME XIII | ISSUE 1-2017-2018

SKYLINE UNIVERSITY COLLEGE
ESTD 1990

SKYLINE BUSINESS JOURNAL

EDITORIAL

The present issue of Skyline Business Journal (SBJ) includes six research papers that were selected through a rigorous process of peer review, which is an established practice with the journal now. The new-look journal packs quite an academic punch, in its small package, and adds significant value to the body of business management knowledge. There has been lately, a debate going on about the usefulness of academic research in management studies especially from the leaners point of view. Is it necessary that all research is applicable to academic programs or it should be practical enough for business and industry? In both these cases the relevance and applicability of research becomes paramount consideration instead of methodology and or theoretical back ground of the topics chosen. Scholars, now more than ever before, have the added responsibility to produce distinguishable research that does not just adds to the volumes of already overloaded net-space that is overwhelming and may not always be of any practical usage. The compulsion imposed by academic institutions world over, especially in social sciences, to produce specific number of papers, per academic calendar and linking scholarly work with career progression, has put academics into a mechanical mode that 'fixes a research paper' in a predefined structure, irrespective of its academic or industry value. This needs a serious rethink!

The current issue includes four papers on finance and two on human resource practices. One of the papers analyses if FDI has any significant relationship with a country's real GDP, nominal exchange rate, current account balance and industrial production index. The paper concludes, taking example of Malaysia, that FDI is a dominant factor in development and economic diversification. Another paper in the finance category, discusses the relationship between profitability and liquidity in Islamic banking industry of Bangladesh. Interestingly, a paper in the domain of human resource management discusses, through statistical and comparative analysis the effect on the behavioral aspects of employees, brought about by Vipasana Meditation.

With the increasing prestige and popularity of the journal the editorial board has started thinking of more than one issue annually and I would like to seek opinion of all readers, authors, and associates in this regard to help us finalize our decision. I take this opportunity to thank all the editors, reviewers and technical staff working all round the year to produce this academic work, which is now in its thirteenth year of publication. Wishing you all happy reading and looking forward to your valuable feedback.

Amitabh Upadhya
Editor-in-Chief

FOREIGN DIRECT INVESTMENTS (FDI) IN MALAYSIA: DETERMINANTS AND POLICY ISSUES

Hassanudin Mohd Thas Thaker, Tan Siew Ee, Sridevi Narayanan

Abstract

One of the key indicators for evaluating the economic growth of a country is Foreign Direct Investment (FDI). FDI activity will generate multiplier effects such as the influx of capital investment, technological advancement and increase in productivity levels especially in knowledge management and human capital development. As shown in other studies, Malaysia has always been considered to have attained its economic growth through FDI. The Malaysian economy has undergone massive structural changes; evolving from an agriculture base into a dominant producer and exporter of manufactured goods and services. Therefore, our objective here would be to test whether FDI has any significant relationships with important variables like Real GDP, Nominal Exchange Rate, Current Account Balance and Industrial Production Index. Empirical data in our paper covers a 22-year time-span and quarterly time-series data (1990: Q1–2012: Q4) are used to uncover the short–run and long–run relationship between FDI and these variables. Dynamic econometric measures including the Augmented Dickey Fuller (ADF) and Phillip–Perron (PP) unit root tests, Co-integration test and the Vector Error Correction Model (VECM) as well as the Granger Causality Test have been applied. Based on these generic models, our overall conclusion is that FDI is a very significant and dominant factor in Malaysia's development and economic diversification. The paper also highlights some major problems facing foreign investors which require immediate remedial action.

Keywords: *Foreign Direct Investment, Determinants, Policy Issues, Malaysia.*

1 Introduction

As reported in World Investment Report (2016), the recovery stage of foreign direct investment was drastic and strong enough. In general, the overall global foreign direct investment surpasses about 38 percent to $1.76 trillion, reached peak level after the financial and economic crisis of 2008 – 2009. In addition, mergers and acquisition (M&A) specifically cross- border M&A increased to $721 billion ($432 billion in 2014), and become a dominant factor despite the global recoil. The green field of investment sustained steadily at maximum level of $766 billion.

According to the World Investment Report, 2012, global foreign investment (FDI) flows rose 16 per cent in 2011 surpassing the 2005-2007 pre-crisis level for the first time, despite the continuing effects of the global financial and economic crisis of 2008-2009 and the on-going sovereign debt crises. This increase occurred against a background of higher profits of transnational corporations (TNCs) and relatively high economic growth in developing countries during those years.

As the world economy becomes more globalised and barriers to trade and capital movements become more relaxed, highly developed countries will move their funds to less developed countries seeking to set up businesses to take advantage of lower comparative costs of capital and labor as well as favorable exchange rate differentials. The countries receiving the inflow of foreign direct investments also stand to gain from these inflows through increased employment of their factors of production such as labor, land and capital, thus increasing their growth potential as signified by GDP growth. These countries will benefit from the FDI inflows so long as they remain competitive as the demand for FDI is increasingly on the rise. FDI can come in various forms such as the setting up of Multinational Corporations (MNCs), Multinational Enterprises (MNEs) and Transnational Enterprises (TNEs).

The main determinants attracting FDI inflows into a country, as discussed in most literature would include exchange rates, openness of the economy, and interest rates of capital amongst others. To host countries therefore, attracting FDI is vital since the manifold benefits of FDI cannot be overlooked. This study aims to empirically investigate the fundamental factors that drive FDI in Malaysia. The volume of FDI inflows into certain regions of the world is notably large whereas inflows in other parts can be insignificant. Therefore, it is necessary to investigate what determines or influences the FDI inflows and what needs to be done to attract FDI so that a country can benefit from them. In addition, this study will highlight the major problems which foreign investors currently face and which must be addressed in order that Malaysia can re-establish itself as a major FDI destination as it was in the past.

Looking at the Malaysia perspective, UNCTAD reports that Malaysia's FDI grew by an impressive 22.2% (RM13.6 billion) in 2013 compared to RM10 billion in 2012. Despite this impressive growth, Malaysia is currently lagging behind its neighbors in terms of total FDI receipts, putting Malaysia only in the fourth spot among ASEAN countries like Singapore, Indonesia and Thailand. Nevertheless, the Malaysian Investment Development Authority (MIDA) claims that the outlook for FDI in Malaysia is on the positive trend as shown by leading indicators. As reported in the MIDA Report (2013), Malaysia's Direct Investment Abroad (DIA) has recorded good performance compared with its inward Foreign Direct Investment (FDI). The increase in FDI has shown a significant upward trend in Malaysia over the past three years where it further reduced the gap between direct investment inflows and outflows. As noted in the statistical report produced by MIDA, it is very clear that FDI recorded a positive change of 24 percent where it increased from RM31.1billion in 2012 to RM38.8 billion in 2013. On the other hand, DIA for the same period scored RM42.9 billion. In addition, the Malaysia investment activities were also affected due to the changes in the nature of investments especially among Malaysian businesses. For example, the MIDA 2014 Report shows that about RM117.5 million of investment grants approved under the programme of RM1 billion Domestic Investment Strategic Fund (DISF) was concentrated on research and development. Moreover, RM36.1 million was allocated for training expenses to further upgrade human capital development. The target group of companies included both local and foreign companies.

All these rapid developments are consistent with the objective of the Economic Transformation Programme (ETP) whose main aim is to transform Malaysia into a high income nation by 2020 by reaching a Gross National Income target of RM1.7 trillion. To achieve this, Malaysia needs to attract about RM1.4 trillion during the time framework of 2011 to 2020. The major contributions of these are to come from the private sector rather than the public sector.

The ETP provides support and business opportunities throughout the economy for both manufacturing and services sectors to add value to the Malaysian economy via its Entry–Point Projects (EPPs). There is no doubt that the opportunity to achieve the objective of ETP as Malaysian investment performance is good as shown by the nation's recent investment performance (MIDA, 2014). MIDA also reported that Malaysia attracted RM50 billion in investments up to May 2014 involving 570 projects and about 50,000 jobs. In addition, Malaysia has always been a favorite country for regional and global operations of MNCs because of its strong and flexible ecosystem and this is expected to gather greater momentum given the continuous support from the government to establish Malaysia as a global business and manufacturing hub.

The continuation of the study is sorted as follows; next part discusses literatures on foreign direct investment (FDI), later followed by discussion research methodology applied for the study is discussed, followed by the empirical finding and analysis of the results. Finally, we conclude with the discussion of policy issues and further recommendation is address in last section.

2.0 Literature Review

Despite the extensive literature covering the relationship between FDI and its determinants, there is no clear consensus on their inter-relationships. . The studies on different countries involving different time intervals and statistical methods are mostly also quite different in their conclusions. For example, Tiwari & Mutascu (2010) tried to investigate about 23 developing Asian economies for the year 1993-2009 using the dynamic panel model and OLS methods found that the level of exports enhances FDI movements which in turn enhance growth. On the other hand, Dar et.al (2004) in his research on FDI in Pakistan found that economic growth, exchange rate and level of interest rates, employment levels and political stability were important determinants for FDI inflows into Pakistan between 1970-2002 and the inter-relationships were a two-way causality relationship.

A study by Yusof and Choong (2002) examines the relationships between GNP, exchange rate differentials, current account deficits, uncertainty and inflation and FDI in the Malaysian manufacturing sector between the periods 1965-1999. Their results showed that current account deficit and inflation were the crucial factors for the FDI inflows. In addition, Zhang (2001) attempted to identify the relationship between FDI and economic growth for 11 developing countries from East Asia and Latin America. Applying Johanssen and Juselius cointegration tests, Zhang managed to prove that FDI is enhanced by trade regime and macroeconomic stability but the rapid increases in FDI was mainly contributed by growth in Real GDP. This result is consistent with Basu et al. (2003) but Basu et al. focuses on a panel of 23 countries and trade openness is found to be one of the crucial components that can enhance the growth of FDI. They also found that trade openness and FDI has bidirectional relationships in both the short-run and long-run.

Another study on 3 three ASEAN countries namely, Malaysia, Thailand and Philippines done by Ismail and Yusof (2003) investigated the relationship between labor market competitiveness and FDI inflows and it was found that there was no significant relationship between the two. Shahrudin et al. (2010) conducted a study on FDI determinants by using an Autoregressive Distributed Lag Model (ARDL). They concluded that the key determinants were financial development and economic growth which mattered most amongst all other variables tested. Similarly, Chowdury and Mavrotas (2006) also did a paper on Malaysian and Thailand's FDIs by employing Granger Causality Test and the Toda Yamamoto Analysis. Using data covering 1969 to 2000, they found there is bidirectional causal relationship between macroeconomic variables and FDI.

Zubair Hasan (2003) found that exchange rate, export expansion and infrastructural development being the important factors of FDI determination in Malaysia. In addition, Hooi (2008) on the other hand did a study using Error Correction Method and Granger Casualty Test to examine FDI in Malaysian manufacturing sector and concluded that there is a strong relationship between economic growth and FDI. Conversely, Ang (2008) had used a wide range of variables such as government spending on infrastructure, openness and exchange rate for the period 1960-2005 and concluded that economic growth has the least effect on FDI while exchange rate seemed to have the biggest impact in the study.

Hence, this paper attempts to fill the existing gap in FDI research in the Malaysian case by incorporating Industrial Production Index (IPI) as an additional independent variable and we have taken the more recent year's i.e.1990-2012 to analyze trends so that it would be more useful and appropriate as pointers for policy makers. Additionally, this paper uses the Error Correction Method (ECM) to examine both the short-run and long-run effects of the chosen variables on FDI. In a later section, this study will also discuss policy issues that should be considered to enhance FDI inflows into Malaysia in the face of intense competition for FDIs among the ASEAN countries.

3.0 Data Source and Empirical Approach

The empirical data and analyses in this paper cover a 22-year-period using quarterly time - series data (1990: Q1-2012: Q4) which should be adequate to test the long run relationship between the independent and dependent variables. The data series required involves foreign direct investment, real gross domestic product, nominal exchange rate, current account balance and industrial production index. The data are obtained from Bank Negara Statistics; IMF's International Financial Statistics database (IFS) which are complemented by data from www.econstats.com for chosen years. First of all, we assume that foreign direct investment is a function of its macroeconomic variables as expressed by the equation below;

$$FDI = f(RGDP, NOMEXC, CA, IPI) \quad \text{(Eq.1)}$$

Next, to examine this relationship the generic model applied takes the form as follows;

$$\ln FDI_t = \beta_0 + \beta_1 \ln RGDP_t + \beta_2 NOMEXC_t + \beta_3 \ln CA_t + \beta_4 IPI_t + \varepsilon_t \quad \text{(Eq 2)}$$

where:

lnFDI = Natural Log of Foreign Direct Investment
lnRGDP = Natural Log of Real Gross Domestic Product
NOMEXC = Nominal Exchange Rate
lnCA = Natural Log of Current Account Balance
IPI = Industrial Production Index

Unit Root Test

In order to avoid spurious results, we have conducted the test for the stationarity. Time series is considered as stationary if a series is mean-reverting, that is, the series repeatedly returns to its mean and does not have a tendency to drift. Therefore, if the mean and variance of the series are constant over time, while the value of the covariance between two periods depends only on the gap between the periods and not on the actual time at which the covariance is considered, then the series is stationary. But if one of the above conditions is not fulfilled, then the series is non-stationary (Paramaiah and Akway, 2008). This study uses the most commonly used tests, namely; the Augmented Dickey – Fuller (ADF) and

the Phillips – Perron (PP) tests. ADF is applied when the error term (Ut) is correlated. If it is not, we can only use the Dickey – Fuller test. ADF is performed by adding the lagged values of the dependent variable ΔY_t. The null hypothesis for ADF test for unit root test is□ □□_1=0. We can apply the example of Gujarati (2009) for running the ADF. The following regression is for the ADF test purpose;
(Eq: 3)

$$\Delta Y_t = \beta_1 + \beta_{2t} + \delta Y_{t-1} + \alpha_i \sum_{i=1}^{m} Y_{t-1} + \varepsilon_t$$

where and are parameters, t is the time or trend variable, indicates drift, is a pure white noise error term and etc. However, ADF also has its own critics. Paramaia and Akway (2008) claimed that the ADF test has good size but poor power properties. On the other hand, the Philip – Perron test (PP) is used to control the higher – order serial correlation. PP test use non – parametric statistical methods and avoid the use of adding lagged difference terms as in the ADF test. The null hypothesis for PP test is□ ß □_1=0. The equation for PP test (Jeong; Fanara; Mahone, 2002) is as follows;

Y _ t = ß _ 0 + ß _ 1 Y _ (t - 1) + e _ t
(Eq:4)

Cointegration Tests

This analysis is to determine whether the time series of these variables display a stationary process in a linear combination. Generally speaking, co-integration means that data from a linear combination of two variables can be stationary despite them being individually non – stationary (Gujarati, 2009). Therefore, we have employed the Johansen (1991) method of multivariate co-integration. The result from co-integration explains the existence of a long – term relationship between the dependent and the independent variables. If there is at least one co-integrating relationship among the variables, then the causal relationship among these variables can be determined by estimating the VECM.

The Johansen and Juselius method uses two tests to determine the number of co-integrating vectors (Adebiyi, 2007), namely the “Likelihood Trace Statistic” test (LTS) and the “Maximum Eigenvalue” test (ME). The equation for Likelihood Trace Statistics is as follows:
LTS=-T∑_(i-i+1)^n▒□ln□(1-μi)□
(Eq:5)
For this null hypothesis, it is said that the number of co-integrating vectors is less than or equal to r, in which r is 0,1,2,3,4,5,6 and so on. The alternate hypothesis against this is that r=n. The equation for Maximum Eigenvalue test is as follows:
M E = - T I n (1 - μ _ t)
(Eq:6)
For this null hypothesis is that the existence of r co-integrating vector and the alternate hypothesis is r +1 co-integrating vectors.

Vector Error Correction Model (VECM)

If co-integration is found from the series of variables, the Error Correction Term (ECT) must be taken into account in causality test in order to avoid misspecification of the functional form. To test the misspecification, we will use Ramsey’s Reset Test. VECM is widely known as restricted Vector Auto Regression (VAR) and used for non-stationary variables known to be co-integrated. Generally speaking, VECM restricts the long-run behavior of endogenous variables to converge to their co-integrating relationship whereby induced short-run adjustment dynamics take place. Moreover, by using VECM, it allows us to differentiate between the short –run and long – run association of the variables over a given specified time period. The variables might have dispersed in the short – run from one another which may cause disequilibrium in the system. Therefore, the statistical significance with regards to the coefficient associated with ECT (-1) will give us an error correction that drives the variable back to the long- run relationship (Gujarati, 2009).

Granger Causality Tests

Next, the Granger Causality will let us know in how many directions the variables will have relationships. The short-run relationship can be identified using Granger Causality Tests. The reason for checking the short-run relationship is to know whether the lags of one variable enter into the equation for another variable (Gujarati, 2009). Basically, there are two major steps involved in conducting Granger Causality Tests namely; (i) data that are stationary needed and (ii) selection of lag length criteria. Therefore, for this study, we used the Akaike Information Criterion (AIC) to determine lag structure.

4.0 Estimation Procedure and Initial Results

Unit Root Tests

In order to check on the stationarity of the variables, we use the Augmented Dickey-Fuller and Phillip-Perron tests for unit root tests. The reason for running these tests is to check whether the null hypothesis has a unit root against the alternatives that it does not. Both of these tests are conducted with trend and intercept. In addition, we have used the Akaike Information Criterion (AIC) to determine the optimal lags after testing for first and higher order serial correlation in the residuals.

The investigation using the Augmented Dickey Fuller (ADF) and PP summarized in Table 1 and 2 shows that there are no variables having unit root at level. However, unit root is obtained when the first difference condition of all variables are conducted using the same ADF and

Table 1: Unit Root Tests (ADF and PP Unit Root Tests)

Variables	Level		First Difference	
	ADF	PP	ADF	PP
ln(FDI)	-1.0939	-2.3727	-6.1546	-6.5107
	(0.7146)	(0.3012)	(0.0000)***	(0.0000)***
ln(RGDP)	-2.6818	-2.6818	-9.9856	-10.307
	(0.2466)	(0.2466)	(0.0000)***	(0.0000)***
NOMEXC	-1.7511	-1.1767	-5.8851	-5.8202
	(0.7265)	(0.8749)	(0.0000)***	(0.0001)***
ln(CA)	-3.0381	-3.0600	-9.9001	-9.9483
	(0.1274)	(0.1223)	(0.0000)***	(0.0000)***
IPI	-0.8806	-1.9845	-2.7787	-7.2596
	(0.9530)	(0.6018)	(0.0001)***	(0.0000)***

Note: The Table 1 shows the unit root tests result. The value based on MacKinnon (1996). The signs of *, **, *** indicates significance at 10%, 5% and 1%

PP test by comparing the level using 1%, 5% and 10% alpha values.

Cointegration test

A set of variables will be cointegrated if a linear combination among the variables is stationary even though the variables are not stationary individually. If there exists cointegration, then there will be long - run equilibrium among the variables In this study, by employing the Johansen and Juselius Cointegration Test, we compare the value of the Likelihood Trace Statistic (LTS) with the 5% critical value and it was found that there exists only one cointegration in the long run (see Table 3). Therefore, there is a long run unique cointegrating vector governing the long run relationship among the variables. It means that there is a one cointegrating long - run association among Foreign Direct Investment with

Table 2: Johansen – Juselius Cointegration Tests

Hypothesized No. of CE(s)	Trace Statistic	Max-Eigen Statistic	Critical Values (5%)	
			Trace	Max-Eigen
$r = 0$	76.7487**	34.0661**	69.8188**	33.8768**
$r \leq 1$	42.6826	19.3073	47.8561	27.5843
$r \leq 2$	23.3752	17.6759	29.7970	21.1316
$r \leq 3$	5.6993	4.4190	15.4947	14.2640

Normalized Cointegrating Coefficients:

ln(FDI) = -44.627 + 3.1297ln*(RGDP) – 4.4493ln*(NOMEXC) + 0.1746*ln(CA) + 0.0466*(IPI)

Note: The Table 2 provides the result of cointegration test. The signs of *, **, *** indicates significance at 10%, 5% and 1%. The lag selection was based on Akaike Information Criterion and the lag selected was 2

Real GDP, Nominal Exchange rate, Current Account and Industrial Production Index (See Table 2).

Based on the normalized cointegrating coefficient, it is shown that 1 percent increase (decrease) in GDP is equivalent to 3.1297 percent increase in FDI. The coefficient for CA and IPI are also significant and its value shows that 1 percent increase in CA and IPI are associated with 0.1746 and 0.0466 percent increase in FDI respectively. On the other hand, the result for NOMEXC is different where 1 percent increase in NOMEXC will represent a decrease of 4.4493 percent in FDI with statistically significant coefficient value. Thus, FDI elasticity with respect to GDP and NOMEXC are more elastic as compared to FDI elasticity with respect to CA and IPI.

The positive sign for the real GDP shows that any increase in real GDP will cause an increase in FDI activity. Increase in real GDP for any country will increase the confidence level among multinational companies to diversify their businesses. This will increase the revenue of the country as more foreign direct investment will take place and expand the economic activity. In addition, it will also indirectly contribute to the active labor market position where more job opportunities will be created thereby leading to an increased standard of living.

Malaysia is one of the fastest growing economies in South East Asian since Independence in 1957. In addition, Malaysia has undergone rapid changes in economic activity by moving away from agriculture-based activities to more industrial export oriented businesses. Therefore, Malaysia is becoming a very good platform for FDI and this success is contributed by many factors such as political stability, economy stability and good environment. Our finding is consistent with Mun et. al (2008) Malaysia's case where they have analyzed the relationship between FDI and economic, they proved statistically that there is a direct relationship between FDI and economic growth. A similar result was obtained by Balasubramanyam et. al (1996) where the result shows that FDI has a positive effect on economic growth especially in those countries that are export–oriented.

The estimation results also show that Nominal Exchange Rate has a negative relationship with the FDI in the long–-run. One of the possibilities why exchange rate may have a negative relationship with the FDI is because when the exchange rate is depreciating, MNCs would prefer to invest in the host country as their currency is less expensive. Moreover, as suggested by Nakamura and Oyama (1998), normally, when the MNCs decides on which country to explore for investment purposes, they will look at the exchange rate as a benchmark to decide whether to make investment or not. This is consistent with Marwah and Tavakoli (2004). On the other hand, an interesting result was found by Chakrabati and Scholnick (2002) where they examined the relationship of USD exchange rate and FDI by taking into account about 20 OECD countries from 1982 till 1995 and their result seems to be inconclusive and it is very difficult to see the robustness of the impact of the exchange rate variable.

Next, current account reflects the financial stability of a host country. In our study, current account has positive long – run association with the FDI which means if the current account is in surplus, it will lead to higher FDI as it will convince MNCs and investors to involve themselves in the investment. This may be due to the cheaper cost of investment because when the current is in surplus (trade surplus), it indicates that the local currency is depreciating and this will encourage more economic activity such as FDI and increase in export activity. Our findings are consistent with Hassan (2003) where he managed to prove that in Malaysia, the current account has positive implication for FDIs. But on the other hand, Schneider and Frey (1985) found that FDI has negative relationship with the current account especially in developing countries.

Lastly, FDI is found to have a positive relationship with Industrial Production Index (IPI). Generally speaking, any country with good growth in macroeconomic stability will tend to perform well and will attract greater inflow of FDI activity. As mentioned by Nonnenberg and Mendonca (2004), a country with this kind of scenario will have implications where MNCs and investors will prefer to invest in that particular country as the degree of uncertainty is lesser. MNCs will use IPI as a benchmark to examine certain industries' growth rate to determine in which industry they can venture into to maximize their utility.

This is so true for Malaysia's case where the economic structure has undergone significant changes. In Malaysia, the manufacturing sector continues to show rapid growth among existing sectors. The industrial sector is expected to contribute about 28.5 percent to GDP by 2020 and the government has invested heavily in this sector and it is estimated that by 2020, RM412 billion worth of investments will be ploughed into the manufacturing sector. The most recent IPI in manufacturing industry rose at 4.8% in the beginning of 2014. This will further convince MNCs to take an opportunity in Malaysia's manufacturing sector.

Table 3: Summary of VECM results

	Δln(FDI)	Δln(RGDP)	Δ (NOMEXC)	Δln(CA)	Δ(IPI)
Constant	0.0162 (2.3142)**	0.0257 (2.7986)**	2.0885 (0.0133)***	0.01327 (0.2172)**	0.8299 (2.5275)**
ECT(-1)	-0.1062 (-3.2416)**	0.1082 (4.0645)**	-0.0080 (-1.5306)**	0.01756 (0.0904)**	0.0187 (0.0197)**
R-Squared	0.2756	0.2080	0.3383	0.0696	0.2057
Adjusted R-Squared	0.1691	0.1054	0.2458	0.0612	0.0922
S.E of Equation	0.0864	0.0702	0.0188	0.4060	2.5032
F-Stat	2.6191	2.5530	3.3794	9.5242	1.8130

By running the VECM test, it will allow us to detect the long-run tendency of the variables of the endogenous variables to congregate to their long-run relationship while allowing a broad range of short-run dynamic causal relationship. Based on Table 3, the coefficient of the error correction term (ECT) for FDI carries the proper sign and it is statistically significant at 5 percent with the speed of convergence to equilibrium of 10.62 percent quarterly. Hence, in the short-run, FDI will be accustomed by 10.62 percent of the past year's quarterly variation from equilibrium position. This further confirms the stability of the system. Theoretically speaking, a large value of the coefficient of ECT shows that equilibrium agents eliminate a big proportion of disequilibrium in each period. It means the speed of adjustment will be fast towards long-run equilibrium restoration and vice versa. Given this, the speed of adjustment in FDI towards long-run equilibrium restoration is just very slow as the value absolute coefficient is small.

The coefficient of the ECT for RGDP, CA and IPI are all having positive signs and it is statistically significant at 5% and 1% respectively. It shows that, if there is any disturbance occurring in the properties system, the deviation will take place in the system and this will cause instability of the system. On the other hand, the coefficient of ECT for NOMEXC is negative and statistically significant at 5%. It implies that there is stability in the system if there is any deviation taking place due to disturbance in the system but the restoration towards long-run equilibrium will take a much longer time because the value of ECT is very small (0.0060).

To test the robustness of the Error Correction Model, researchers tend to apply a number of diagnostic tests such as Durbin Watson Test, Lagrange Multiplier and Ramsey's Reset Test. No evidence was found for normality failure, serial correlation, and misspecification of the functional form. Therefore, the model is applicable for our study.

Granger Causality Test

After the estimation of long–run equation using Vector Error Correction Model (VECM), we can expand the analysis to find out the dynamic causality or interaction among the variables in the short run. Granger Causality will let us know in how many directions the variables will have

Table 4: Granger Causality Results based on VECM

Dependent Variable	Independent Variables — χ^2-statistics of lagged 1st differenced term [p-value]				
	ΔLNFDI	ΔLNRGDP	ΔNOMEXC	ΔLNCA	ΔIPI
ΔLNFDI	–	2.7116 (0.0503)***	1.5603 (0.2053)	1.3906 (0.2513)	1.6499 (0.1843)
ΔLNRGDP	3.0123 (0.0347)**	–	1.0899 (0.3581)	1.2786 (0.2872)	0.2920 (0.8310)
ΔNOMEXC	1.2979 (0.2807)	0.8355 (0.4782)	–	0.1718 0.9156	2.9559 (0.0372)**
ΔLNCA	0.1997 (0.8963)	3.0167 (0.0345)**	0.8533 (0.9272)	–	0.5386 (0.6571)
ΔIPI	1.0693 (0.3668)	2.6686 (0.0543)***	1.8552 (0.1437)	2.1485 (0.1004)	–

Note: The Table 4 reveals the Granger Causality results. The signs of *, **, *** denotes significant at 10%, 5% and 1% significance level, respectively. The figure in the parenthesis (…) denote the t- statistic and the figure in the squared brackets […] represent the p-value.

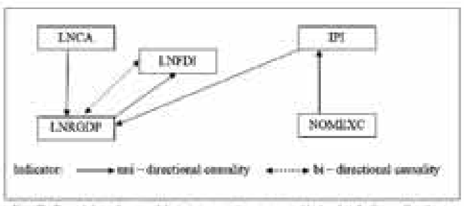
relationships resulting from cointegration among the variables. Given this, we can check the causality relationship of FDI with Real GDP, Nominal Exchange Rate, Current Account and Industrial Production Index. The summary of Granger Causality Test is shown in Table 4.

Note: The Table 4 reveals the Granger Causality results. The signs of *, **, *** denotes significant at 10%, 5% and 1% significance level, respectively. The figure in the parenthesis (…) denote the t- statistic and the figure in the squared brackets […] represent the p-value.

As shown in the Table 4, it is very clear that in the short-run there is bidirectional causality between LNFDI and LNRGDP. Therefore, we can reject the null hypothesis and the LNFDI Granger-cause LNRGDP as it is significant at 10 percent.

In addition, the majority of the variables have unidirectional causality in the short–run where LNRGDP Granger-

Figure 1: The Pattern of Short - Term Granger Causality



Note: The Figure 1 shows the array of short - term association among variables based on the Granger Causality test.

cause LNFDI, NOMEXC Granger-cause IPI, LNCA Granger-cause LNRGDP and lastly IPI also Granger-cause LNRGDP. All these variables are statistically significant at 10 percent and 5 percent respectively. The directional inter-relationships are illustrated in Figure 1 below.

5.0 Policy Issues and Consideration

It is clear that FDI operating through MNCs has been the lynchpin and a key factor for Malaysia's successful transformation from a primary and agriculture-based economy into an advanced manufacturing and service-based modern economy. Given the crucial role of FDI as an agent of growth in Malaysia, the Government has spared no efforts to attract MNCs into the country and this has been evident in all the Five-Year Development Plans, starting with the First Malaysia Development Plan in 1966.

To date, Malaysia has implemented a continuous series of Five-Year Development Plans culminating in the Tenth Malaysian Plan (2011 – 2015). The country has also launched the even more ambitious Ten-year Outline Perspective Plans, Vision 2020, National Vision Policy (NVP) as well as its latest Economic Transformation Plan (ETP). The latter development plan, especially, emphasize the role of FDIs as an important agent of development.

In addition to these Plans, special efforts and investment activities were conducted by the Ministry of Trade and Industry (MITI) and other federal agencies such as the Malaysian Investment Development Authority (MIDA) and special investment vehicles such as Invest-Penang and Invest-KL. The latter agency has achieved considerable success in attracting MNCs from the United States and other industrial nations to set up their companies' headquarters in Malaysia . Also, the Performance Management Delivery Unit (PEMANDU) which initiates economic planning in Malaysia, was specifically created to drive Malaysia towards a high income status nation via FDIs by 2020. More importantly, the creation of New Key Economic Areas (NKEA) as well as the Special Task Force to Facilitate Business (PEMUDAH) also contributed in no small way to the success in attracting foreign investment into Malaysia in recent years.

Beside all these, Government-led foreign investment missions abroad usually involving the Prime Minister and leading local business tycoons were also a visible and significant part of the nation's strategic drive to entice FDIs over the last 3 decades. For example, MIDA notes that investment from Chinese investors snowballed to RM4 billion in June 2014 from a mere RM300 million 5 years ago and this was a result of Malaysia encouraging the Chinese investors to set up their regional headquarters in Malaysia where they can enjoy tariff-free access to regional markets with which Malaysia has free trade agreements such as India and Australia in addition to its ASEAN counterparts. As a result of all these efforts since 2010, FDIs have again increased their presence in Malaysia after a significant drop in their level of participation in the country since the 2008 Financial Crisis. Malaysia is now ranked as 7th top-FDI recipient in Asia ahead of South Korea, Vietnam and Taiwan (www1malaysia.com.my) with net FDI inflows of USD12billion in 2014 – a significant 22% increase compared to the 9% increase achieved in 2013. Malaysia also seems to be on track to meet UNCTAD's sustainable goals with incentives given by government to both the private and public sectors.

The global economic downturn of 2008 and the emergence of China and other low-cost ASEAN competitors like Thailand, Vietnam and Indonesia necessitated drastic policy changes to revitalize the Malaysian economy. These policy changes led to the creation of new investment vehicles such as Invest-KL, PEMANDU, PEMUDAH, etc. and these have, to date, been relatively successful in rejuvenating the Malaysian investment climate. The Economic Transformation Program (ETP) stands out with its emphasis on massive multi-billion dollar projects, such as the Iskandar Malaysia Corridor and City Transformation Program, the RM36billion Mass Rapid Transit (MRT) project and the PETRONAS' RM60 billion Refinery and Petrochemical Integrated Development (RAPID) Project which are all to be catalysts in the growth process wherein

FDIs are to participate. All these projects under the ETP program are postured at making Malaysia an attractive investment destination especially for high technology capital-intensive and knowledge-based industries where MNCs have advantages in and in which they can fully participate. These are all laudable and praise-worthy efforts but the Government must be wary that many problems which presently exist that impede FDIs in Malaysia need to be quickly addressed and dealt with effectively so that more FDIs can once again feel encouraged to enter Malaysia. Such issues would include the eradication of corruption, the enhancing of overall capital and labor productivity and the provision of transparency and equity in business dealings between local and foreign investors as well as the Government.

Invest-KL attracted 6 MNCs to locate in Malaysia in 2012 and this figure increased to 40 in 2014 entailing a total realized MNC investment sum exceeding RM700 million. These MNCs were all top Fortune 500 corporations. – The Star, 1/9/2014
The Star, 5/8/2014

Invest Penang, another state investment vehicle like InvestKL specifically established by the northern state of Penang has also identified three major problems which MNCs and small and medium enterprises faced . Based on survey feedback, the first problem is the rising cost of doing business due to rising inflation, higher electricity tariffs and increasing minimum wages all of which will erode Malaysia's competitiveness as a manufacturing hub. Next, the foreign businesses have complained that the country faces a disproportionate shortage of science and technology workers. In addition, owing to high labor turnover, a large proportion of foreign and low-skilled workers still need to be recruited. Thirdly, there is inadequate infrastructure connectivity in terms of communication and infrastructural needs such as faster broadband speeds and port and air cargo transport facilities. These problems may render Malaysia less attractive as an investment destination. These issues are major to be stumbling blocks to greater FDIs in Malaysia.

Apart from these issues, qualitative challenges also need to be worked on and this would include closing the performance versus perception gap in areas of corruption, crime and low factor productivity growth - which needs to be pushed up to international levels - and uplifting investment confidence . This confidence can be boosted by the provision of greater security to MNCs in the form of the ease of redress in cases of industrial disputes. All in, these serious obstacles have to be eradicated and Malaysia has to push further its economic, social and institutional reforms to create a conducive environment for businesses to flourish and to be more attractive to FDIs.

6.0 Conclusion

Our objective has been to identify the short–run and long–run relationships between foreign direct investments (FDIs) with selected variables (determinants) in Malaysia. Four variables have been employed in this study and they are Real GDP, Nominal Exchange Rate, Current Account and Industrial Production Index. The analysis was conducted using the Vector Error Correction Model (VECM) to analyze the long-run relationship between FDI and the abovementioned variables. Our conclusion is that in the long–run, Real GDP, Current Account Balance and Industrial Production Index all have positive relationships with the FDI in Malaysia. However, Nominal Exchange rate is found to have a negative relationship with the FDI. To test the short–run dynamic relationship, the Granger Causality test was used and it is very clear that only the GDP variable has a bidirectional relationship with FDI while the rest have unidirectional relationship in the short–-run. Future research is nevertheless still required in this broad area of FDI activity in Malaysia whereby other relevant variables and more sophisticated statistical measures are applied. This paper has also highlighted some major problems which are currently experienced by foreign investors in Malaysia. These problems must be quickly resolved so that the inflow of FDI into the country can once again flourish and Malaysia can re-establish itself as a premier investment destination in the ASEAN region.

The Star, 20/8/2014
Malaysia's World Competitiveness Index has reached the 20th spot according to the World Economic Forum (WEF) Global Competitiveness Report 2014-2015. However, it recorded a drop of six places to 44th position in the Macroeconomic Environmental Ranking and it also suffered a nine places decline from 51st to 60th position in terms of technological readiness index. (The Star, 4/9/2014)

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Hassanudin Mohd Thas Thaker
Faculty of Business, Economics and Accounting
HELP University, Malaysia.
Email: hassanudinmtt@help.edu.my

Tan Siew Ee
Faculty of Business, Economics and Accounting
HELP University, Malaysia.
Email: tanse@help.edu.my

Sridevi Narayanan
Faculty of Business, Economics and Accounting
HELP University, Malaysia.
Email: sridevi.n@help.edu.my

A STUDY OF THE RELATIONSHIP BETWEEN PROFITABILITY AND LIQUIDITY IN ISLAMIC BANKING INDUSTRY IN THE CONTEXT OF BANGLADESH

Taslim Hasan

Abstract

This study is an attempt to show the relationship between profitability and liquidity in Islamic banking industry in the perspective of Bangladesh. Profitability measuring variables- gross profit margin, earning per share, return on equity and return on assets are used in this study. On the other hand, current ratio, liquid assets ratio, snap liquidity ratio and short term borrowing ratio are used as liquidity variables. In this study all secondary data and SPSS 17.0 have been used to perform the correlation and regression analysis. Findings of the study shows the perfect negative correlation with at least one dependent variable and two independent variables with 5% significance level. The study reveals that the influencing determinants of profitability are snap liquidity ratio and Liquid assets ratio in Islamic banking business. It suggests the Islamic banking industry to make a trade off between liquidity and profitability as there exist an inverse relationship.

Keywords: *Profitability, Liquidity, Trade off, Correlation and Regression Analysis.*

1. Introduction

Liquidity is the ability of a firm to meet the short term obligations. It indicates the availability of cash or near cash the firm has for its day to day requirements. Operations of the company may be affected due to inability of the firm to meet up its short term liabilities. It is required for the firm to maintain a specific level of liquidity though there is no standard level for it. It depends on the nature of the business, seasonal variations, inflations, volume of production, location of the business and many others. As profitability is affected by liquidity, it is general tendency of the investors to know the level of liquidity of the firm. Investors expect low level of liquidity as well as higher level in long term investment which will generate earnings of the firm (profitability). However, investors are also aware that inadequate liquidity will deprive the company from getting incentives from the suppliers, creditors, and bankers. Liquidity protects the firm from failure in short term whereas the profitability ensures the survival of the firm in the long run. Both are essential for any firm to survive.

Liquidity for a bank is primarily influenced by the amount of current assets and current liabilities. Low liquidity means, it would not be able to run the bank properly. While it is impossible for a bank to make profit whatever the reason is, it will have impact on the liquidity of the bank. While a firm has optimum level of liquidity, it may not incur loss over a longer period. Banks are slightly different from regular companies. Depending on its size and charter, many banks can borrow from each other or even from the central bank for overnight cash needs. Therefore, liquidity crisis for short-term isn't threat of failure. Since banks are regulated by the central bank, it looks into the liquidity position of all scheduled commercial banks and take over while it become insolvent.

1.1 Objectives of the study

The broad objective of the study is to find out the relationship between liquidity and profitability. However, the specific objectives are-

i. to identify the nature of relationship between liquidity and profitability;
ii. to investigate the influencing factors that determine the profitability of the firm; and
iii. to discover the importance of liquidity and profitability trade off in Islamic banking industry

1.2 Methodology of the study

In this study Social Islami Bank Limited has been considered as a representative of Islamic banking industry in Bangladesh. As the study is based on financial data, the source of data is financial statements such as income statements, balance sheets and cash flow statements of the company for the period from 2011 to 2015. The data of five years are taken as a recent available data of the bank.
The collected data have been tabulated, analyzed and interpreted with the help of different financial ratios and statistical tools like correlation and regression analysis. SPSS 17.0 software has been used for analysis of the different variables in this study. Hypothesis have been tested statistically to arrive at conclusion.

1.3 Scope and Limitation of the study

The area of the study is Islamic banking industry in Bangladesh. Profitability and liquidity ratios in traditional banking and Islamic banking are not same. There are some special ratios practiced in Islamic banking due to their different mode of banking system. Islamic banking as an alternative banking system to conventional one is functioning its banking business all over the world with success. They are also maintaining liquidity and profitability as do the conventional banks.

Limitation of the study is unavailability of all necessary previous year data. Annual report of Islamic banks in Bangladesh was not in same format in previous years. For that reason, it was difficult to find out required data. In some cases, three year's data were available and the rest of the two year's data were calculated based on available raw data in annual report. Some data were contradictory due to poor management of the firm which created complexity in streamlining the study.

1.4 Hypothesis

H1: There is correlation between liquidity and profitability ratios.

2. Literature Review

Several studies have been done to examine the relationship between liquidity and profitability all over the globe. Liquidity and profitability has negative relationship as shown by the study of Khidmat and Rehman (2014), Saleem and Rehman (2011). Some authors also find the relationship is positive as Zygmunt (2013) stated in his study. On the other hand, some also find the relationship is positive and negative at the same time but not significant (Ben-Cakleb et al. 2013).

Khan and Ali (2016) investigated the relationship between liquidity and profitability of commercial banks in Pakistan. The authors studied and analyzed the five years annual reports of the Habib Bank Limited and found the existence of significant positive relationship between the liquidity and profitability of the banks though they did not generalize the findings on the other sector.

Ibe (2013) made an effort to find whether there was any impact of liquidity management on the profitability of banking industry in Nigeria. Ibe selected three Nigerian banks randomly and analysis was made. It has been found in analysis that the problem which has to be paid attention is liquidity management of the banking industry of the country. The author recommended that in order to maximize profitability the commercial banks should maintain optimal level of liquidity.

Lartey et al. (2013) underwent a relational examination between liquidity and profitability of banks which are listed in Ghana stock exchange. The authors made trends analysis based on the financial ratios and tried to explore the relationship between liquidity and profitability of the commercial banks of the country. However, the author found very weak positive relationship whereas the trends of the ratios were in declining. Chukwunweike (2014) studied to find the correlation between liquidity and profitability. The author made simple correlation analysis using secondary data. Financial statements of different companies have been used for analysis and hypothesis testing at 10% significance level. A significant correlation has been found and Chukwunweike recommended that corporations should make trade off between liquidity and profitability.
Priya and Nimalathasan (2013) engaged an endeavor to seek if there is any effect in the changes level of liquidity on the level of profitability of the companies belongs to manufacturing industry of the country Sri Lanka. The authors conducted the analysis among the data of some selected companies and the findings of the analysis showed the liquidity-profitability relationship at significant level.

Marozva (2015) conducted a study on South Arican banks to find out the relationship between liquidity and financial performance of banks. An empirical study has been made using some statistical tools where the author found a negative relationship between the variables which was significant.
Vanila and Nenu conducted an analysis on companies which are enlisted to Bukharest stock exchange to find if there is any impact of liquidity and profitability on stability and development of the company. Using multivariate regression model the author made the analysis and found there exists a correlation between liquidity and financial performance of the corporation which was negative.

Nimer et al. (2015) studied the relationship between liquidity and profitability in Jordanian banks (2005-2011) and finds liquidity extremely affects profits of which some part that will be divided to shareholders. The study findings show the liquidity severely affects profitability. The author found there exist a negative relationship between liquidity and profitability. That means the return on assets is significantly affected by quick ratio.
All the above study has been done on the banks and manufacturing companies in different countries. But no study has been made on Islamic banking institutions. With reference to the above study a new effort has been made to evaluate and identify the relationship in Islamic banking in Bangladesh.

3. Liquidity Measurement

Liquidity means the cash availability. It is the ability of the firm to support or meet up the short-term liabilities. That means, the level of current assets the firm has against the current liabilities. It can be measured by different ratios like current and quick ratios. In banking industry there are special ratios to measure the liquidity level of the firm. The major ratios which are used in Islamic banking are Current ratio, Liquid assets ratio, Snap Liquid ratio and Short term borrowing/ Liquid assets ratio.

3.1.1 Current Ratio: This is one of the liquidity ratios which measures the level of liquidity of a firm. It measures the unit of current assets available as against a unit of current liability of a particular firm. High ratio indicates excess liquidity and low ratio indicates inadequate liquidity. The following formula is used for calculating the current ratio of a firm.

Current Ratio = Current Assets / Current Liabilities

Current ratios from year 2011 to 2015 are given on the following table-

Table I: Current Ratios

Year	2011	2012	2013	2014	2015
Current ratio	1.117	1.073	1.081	1.077	1.080

Source: Financial Statement of the stated company

3.1.2 Liquid Assets Ratio: Another important ratio is liquid assets ratio. It measures the level of liquid assets against total assets of a particular firm. That means, the amount of liquid assets the company holds as against its total assets. Lower liquid assets ratio indicates higher investment in long-term assets and generation of more profit. The formula which is used for calculating liquid assets ratio of a firm is given below.

Liquid Assets Ratio = Liquid Assets/Total Assets

Liquid Assets Ratios from year 2011 to 2015 are given on the following table-

Table II: Liquid Asset ratio

Year	2011	2012	2013	2014	2015
Liquid Assets Ratio	0.1725	0.1610	0.1659	0.1590	0.1381

Source: Financial Statement of the stated company

3.1.3 Snap Liquidity Ratio

The ratio indicates the level of solvency of the bank to pay the external liabilities from its liquid assets. The greater ratio indicates the higher capacity of any particular firm to pay out its external liabilities with its liquid assets. That means, quick payment capacity of the firm with its liquid assets. To calculate the ratio for a particular firm, the following formula is used.

Snap Liquidity Ratio= Liquid Assets/Total External Liabilities

Snap Liquidity Ratios from year 2011 to 2015 are given on the following table-

Table III: Snap Liquidity ratios

3.1.4 Shortterm Borrowings/Liquid

Year	2011	2012	2013	2014	2015
Short term Borrowing/Liquid Assets Ratio	0.0950	0.2325	0.2237	0.2516	0.0399

Source: Financial Statement of the stated company

Assets

This is the ratio which is to be used for measuring the level of short-term borrowings of a firm as against liquid assets. More borrowings as expressed by the greater ratio means the inability of the firm to pay its liability with a certain level of liquid assets in short-term. Lower ratio indicates higher level of payment capacity of the firm in short-term.

Short term Borrowing/Liquid Assets ratios from year 2011 to 2015 are given on the following table-

Table IV: Short-term borrowings/Liquid

Year	2011	2012	2013	2014	2015
Short term Borrowing/Liquid Assets Ratio	0.0950	0.2325	0.2237	0.2516	0.0399

Source: Financial Statement of the stated company

Assets

3.2 Profitability Measurement

Profitability is the operating efficiency of a firm to generate profit by using its assets. It indicates the earnings efficiency of the firm. By using these ratios, it can be assumed that the amount of investment made by the firm and how efficiently it utilizes its resources to make profit. The major profitability ratios which are used in Islamic banking are Gross Profit Margin, Earnings per Share, Return on Assets and Return on Equity.

3.2.1 Gross Profit Margin

It is one of the profitability ratios of a firm. The ratio shows the profit margin that a firm is capable to earn on its business activity. Gross profit is important as it shows the operating proficiency of the firm. In case of net profit, it varies due to capital structure of the firm as interest is a cost of financing and that is to be deducted to find profit before tax.

Net profit does not always show the operating efficiency of the firm when debt portion in capital structure is high or there is excess tax implication due to government decision. Gross profit is used to quantify the operating efficiency of the business. The following formula is used to calculate gross profit margin of a firm.
(Gross profit / Net sales)× 100
Gross Profit Margin ratios from year 2011 to 2015 are given on the following table-

Year	2011	2012	2013	2014	2015
Gross Profit	0.5990	0.4872	0.4065	0.5328	0.6370

Source: Financial Statement of the stated company

Table V: Gross Profit Ratios
3.2.2 Earning Per Share
Earnings per share (EPS) is the unit of net profit that a firm can earn against each outstanding common stock. Earnings per share is one of the indicators of a company's profitability ratios. It is commonly used by the investor before taking their investment decision. The following formula can be used to find the Earnings per share of a firm.
Net Income available to common stockholders/Total share outstanding
Earnings per Share ratios from year 2011 to 2015 are given on the following table-

Year	2011	2012	2013	2014	2015
Earnings per Share	1.810	2.250	1.740	2.710	2.950

Source: Financial Statement of the stated company

Table VI: Earnings Per Share
3.2.3 Return on Assets

Return on assets (ROA) is an indicator of the firm, i.e. how profitable it is in terms of its total assets. It gives an idea as to how efficiently the firm uses its assets to generate earnings. It is also referred to as return on investment as total assets is considered as the investment of the firm. The formula for calculating the ratio is-
Net Income/Total Assets
Return on Assets ratios from year 2011 to 2015 are given on the following table-

Year	2011	2012	2013	2014	2015
Return on Assets	0.0270	0.0275	0.0167	0.0236	0.0208

Source: Financial Statement of the stated company

Table VII: Return on Assets
3.2.4 Return on Equity
Return on equity (ROE) is the percentage of net income returned as against the total equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the investment of the shareholder. The formula for calculating the ratio is-
Return on Equity = Net Income/Shareholder's Equity
Return on Equity ratios from year 2011 to 2015 are given on the following table-

Year	2011	2012	2013	2014	2015
Return on Equity	0.1151	0.1415	0.1110	0.1568	0.1600

Source: Financial Statement of the stated company

Table VIII: Return on Equity

4. Findings and Analysis

Appendix-Table 1 shows the relationship between the Liquidity and profitability. The liquidity has been shown through the Current Ratio (CR), Liquid Assets Ratio (LAR), Snap Liquidity Ratio (SLR) and Short Term Borrowing Ratio (STB). The profitability has been shown through Gross Profit Margin (GPM), Earning per share (EPS), Return on Assets (ROA) and Return on Equity (ROE).
It has been found that the Liquid Assets Ratio is negatively related with the Gross Profit Margin, Earnings per Share and Return on Equity. Snap Liquidity Ratio is negatively related with the Gross Profit Margin, Earnings per Share, Return on Assets and Return on Equity. Short term Borrowing/Liquid Assets is negatively related with the Gross Profit Margin, Earnings per Share, Return on Assets and Return on Equity. Among these relationships there exist significant relationship between Gross profit margin, Snap Liquidity Ratio and Short-term Borrowing/Liquid assets. (5% significance level). There exists close to significant

relationship (5.2% significance level) between Liquid Assets ratio and Earning per share (Appendix-Table 1).

It can be rationalized through a simple linear regression analysis (Appendix-Table 2) between liquidity and profitability. Here three independent variables (CR, LAR, and SLR) are found to have linear relationship with dependent variable-profitability (GPM) Liquid Asset Ratio and Snap Liquidity Ratio are used as independent variables to show the linear relationship with profitability (EPS). Return on Assets (ROA) has one independent variable- Short term borrowings (STB). Liquid assets ratio and Short term borrowing ratios are used as independent variables to show the linear relationship with profitability (ROE). From this analysis it can be concluded that the Liquidity is inversely related with profitability of the firm. If Liquidity increases profitability decreases and vise-versa.

Appendix-Table 2 also shows the nature of relationship between dependent variables and independent variables. The dependent variables are Gross Profit Margin (GPM), Earnings per share (EPS), Return on Assets (ROA) and Return on Equity (ROE). The independent variables are Current Ratio (CR), Liquid Assets Ratio (LAR), Snap Liquidity Ratio (SLR) and Short-term Borrowing Ratio (STB). GPM is negatively correlated with CR, LAR and SLR. While CR, LAR and SLR increase GPM decreases and vise-versa. The negative relationship can be explained by CR, LAR and SLR. EPS as a dependent variable can be explained by LAR and SLR as it is negatively related to these two independent variables. ROA can only be explained by STB as it is only negatively related to this independent variable. ROE can be explained by LAR and STB as it is negatively related to these variables.

Regression analysis shows the correlation between variables GPM, SLR and LAR are strong as R =0.971 (Appendix-Table 3. From the regression analysis it is found, at least one variable- GPM is negatively correlated with SLR and LAR where the relationship is significant as shown in ANOVA table. (Appendix-Table 4) From this findings of the analysis, The H1 is accepted with 5% level of significance. At least one dependent variable (GPM) is inversely correlated with two independent variables (SLR and LAR). (Appendix-Table 4). So it is substantiated that there exists an inverse relationship between liquidity and profitability in Islamic banking industry in Bangladesh.

5. Conclusion

Liquidity and profitability are the key factors of a business firm. A firm cannot continue its daily operations without liquidity. On the other hand, it is quite impossible to ensure growth of the firm without making sure profitability of the firm. Excess or inadequate liquidity is also problematic for the firm as the liquidity affects the profitability. The management of a firm is always keen on making trade off between liquidity and profitability. Similar to traditional business firm, Islamic banks also maintain liquidity and try to increase profitability. In Bangladesh the Islamic banking institutions operate their business without following appropriately the framework of this relationship between liquidity and profitability. This is the common scenario of Islamic banking industry in Bangladesh.

6. Recommendations

Based on the findings of the analysis, the following recommendations are made-

i. Islamic banking, a rising industry in Bangladesh in recent time, should manage the liquidity and profitability relationship efficiently to compete with the traditional banks who are maintaining the liquidity and profitability effectively.

ii. Islamic banking should conduct an intensive investigation to discover the causes of positive relationship between some profitability and liquidity variables as it provides inappropriate information to the investors.

iii. Islamic banking should appoint cash and liquidity manager separately to manage liquidity properly.

iv. Though liquidity and profitability relationship is vital for manufacturing industry, Islamic banking as part of banking industry should also take care of it as the customer satisfaction also depends on the liquidity to some extent.

v. To satisfy the customers during seasonal demand and to achieve the profit target, liquidity management decision is crucial for the manager and it should be given highest level of priority.

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Appendix:

Table 1: Correlation Matrix

		Current Ratio	Liquid Assets Ratio	Snap Liquidity Ratio	Short Term borrowing/Liquid Assets	Gross Profit Margin	Earnings Per Share	Return on Assets	Return on Equity
Current Ratio	Pearson Correlation	1	-.443	-.268	.001	.379	.818	.441	.871
	Sig. (2-tailed)		.455	.663	.999	.529	.091	.457	.054
	N	5	5	5	5	5	5	5	5
Liquid Assets Ratio	Pearson Correlation	-.443	1	.378	.436	-.487	-.875	.279	-.801
	Sig. (2-tailed)	.455		.530	.463	.406	.052	.649	.104
	N	5	5	5	5	5	5	5	5
Snap Liquidity Ratio	Pearson Correlation	-.268	.378	1	.934*	-.977**	-.345	-.157	-.230
	Sig. (2-tailed)	.663	.530		.020	.004	.570	.801	.710
	N	5	5	5	5	5	5	5	5
Short Term borrowing /Liquid Assets	Pearson Correlation	.001	.436	.934*	1	-.879*	-.234	-.012	-.103
	Sig. (2-tailed)	.999	.463	.020		.049	.704	.984	.869
	N	5	5	5	5	5	5	5	5
Gross Profit Margin	Pearson Correlation	.379	-.487	-.977**	-.879*	1	.484	.050	.358
	Sig. (2-tailed)	.529	.406	.004	.049		.409	.937	.554
	N	5	5	5	5	5	5	5	5
Earnings Per Share	Pearson Correlation	.818	-.875	-.345	-.234	.484	1	.017	.981**
	Sig. (2-tailed)	.091	.052	.570	.704	.409		.978	.003
	N	5	5	5	5	5	5	5	5
Return on Assets	Pearson Correlation	.441	.279	-.157	-.012	.050	.017	1	.153
	Sig. (2-tailed)	.457	.649	.801	.984	.937	.978		.806
	N	5	5	5	5	5	5	5	5
Return on Equity	Pearson Correlation	.871	-.801	-.230	-.103	.358	.981**	.153	1
	Sig. (2-tailed)	.054	.104	.710	.869	.554	.003	.806	
	N	5	5	5	5	5	5	5	5

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

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

Table 2: Regression Analysis

Dependent Variable	Constant	Independent Variables			
		CR	LAR	SLR	STB
GPM	2.284	-0.331	-.381	-2.013	1.168
EPS	7.486	0.414	-.738	-.284	.353
ROA	-0.346	02.599	1.948	4.806	-5.355
ROE	0.024	0.843	-0.449	0.634	-0.500

Table 3: Summary of Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.985[a]	.971	.942	.01559877

a. Predictors: (Constant), Snap Liquidity Ratio, Liquid Assets Ratio

Table 4: Analysis of Variance

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.016	2	.008	33.283	.029[a]
	Residual	.000	2	.000		
	Total	.017	4			

a. Predictors: (Constant), Snap Liquidity Ratio, Liquid Assets Ratio

b. Dependent Variable: Gross Profit Margin

Taslim Hasan
Assistant Professor (Finance)
Department of Business Administration
Bangladesh Islami University
89/12, R. K. Mission Road, Manik Nagar Biswa Road
Dhaka, Bangladesh
e-mail: taslim_ibs@yahoo.com

UNDERPRICING OF INDIAN IPOs: PRE AND POST STOCK MARKET CRASH (2008)

Divya Jindal, Ravi Singla

Abstract

It has been observed throughout the world, including India, that IPOs are underpriced as they get listed at a price which is higher than the listing price. A number of studies have found that stock market crashes or significant economic downturns and the resulting declines in stock markets affect the IPO market and the pricing performance of IPOs. Stock market crashes may cause a short term change or a long-term change in the stock market which would in turn affect the underpricing of IPOs. In 2008 the Indian stock market crashed. The market fell by almost 60 percent in less than a year which was the highest fall experienced by the Indian stock market in recent history. The present paper attempts to determine the effect of this crash on the pricing performance of Indian IPOs by comparing the underpricing of IPOs issued during the three years period prior and three years period post the stock market crash of 2008. The comparison of the underpricing in the pre and post-crash period reveals that the IPOs issued after the crash were underpriced to a lesser extent in comparison to the IPOs issued before the crash. This is evidenced by the significantly lower initial returns of the IPOs issued after the stock market crash of 2008.

Keywords: *IPOs, Underpricing, stock market crash, initial returns*

I. Introduction

A number of investors subscribe to an initial public offering (IPO) with the intention of making short-term gains by selling the shares allotted to them upon listing of the share at a price higher than the offer price (referred to as initial returns). The price of an IPO must be based on the intrinsic value of the share coupled with the demand and supply conditions of stock in the market as well as the general stock market conditions which significantly affect IPO activities.

The market price of the share on the first day of listing (commonly referred to as listing price) is indicative of the demand for the stock and hence, the price the market is willing to pay for the issued share. Listing price is therefore considered to reflect the market's view of the intrinsic value or the fair value of the shares offered (Purnanandam & Swaminathan, 2004). This means that the issuer should ideally offer the shares at a price close to the listing price.

However, it has been observed throughout the world, including India, that IPOs are underpriced as they are issued at a price which is lower than the listing price. Several explanations have been elucidated by different researches for the existence of underpricing including, irrational behaviour of investors, informational asymmetry among the investors, issuing firms and the investment banks and informational cascade theory. A few researches have also observed significant effect of economic downturns, financial crisis and stock market crashes on IPO market and IPO underpricing.

A stock market crash was experienced in India in 2008. The market experienced a fall of almost 60 percent from its highest level in January to its lowest level in

October. This was the highest fall experienced by the Indian stock market in the recent history. The stock market crash adversely affected the IPO activity in India. The capital mobilisation through initial public offerings (IPOs) in the Indian market hit rock bottom in 2008-2009 with only 21 IPOs entering the market (Handbook of Statistics on the Indian Securities Market 2010). The total amount raised via this route aggregated only Rs. 2,082 crore, the lowest since 2003-2004. Although, there have been numerous studies on underpricing of IPOs and on the factors that affect underpricing of IPOs, few studies are available in India that have focussed on the impact of the stock market crash of 2008 on IPO underpricing. The present research investigates whether the findings in other countries of an impact of adverse economic conditions and stock market crashes on IPO underpricing are observed in the Indian context as well. This will shed light on the effect of stock market crashes on the various aspects of primary issues market and will finally help to determine whether crashes lead to more efficient markets. This would prove invaluable to investors who generally stay away from stock markets after crashes.

II. Literature Review

One of the earliest studies that documented the underpricing phenomenon was by Stoll and Curley (1970). Subsequently, underpricing has been found to be a worldwide phenomenon by studies conducted in different countries. However, the extent of underpricing has varied among different countries. For instance underpricing in the USA over a long period of time averaged between 10 to 20 percent, but it has been found be as high as 100 percent in 2000 due to the internet bubble. The average underpricing in France was found to be 10 percent during 1990 to 2003, which was lower than the average underpricing of 35 percent observed in Germany during the same period (Ljungqvist, 2004). Jog and Riding (1987) found an average degree of underpricing ranging from 9 to 11.5 percent for Canadian IPOs issued from 1971 to 1983. Aggarwal et al. (1993) also observed underpricing in the Latin American countries of Brazil, Chile and Mexico. The initial one-day returns were found to be 78.5 percent for Brazilian offerings in 1980-1990, 16.7 percent for Chilean IPOs issued from 1982 to 1990, and a meagre 2.8 percent for Mexican IPOs issued during 1987-1990. In Greece an initial return of 9.07 percent was found for the period 1993-1997 (Tsangarakis, 2004).

IPOs issued in Asian countries also provided initial returns upon listing. In Thailand, the initial returns were 19.97 percent for IPOs listed between 2000 and 2005 (Vithessonthi, 2008). In Bangladesh, Islam et al. ((2010) found that the IPOs provided very high initial returns of 480.72 percent for the period 1995-2005. IPOs in India were also observed to be underpriced but there is a lot of variation in the degree of underpricing found by different studies conducted over different time periods. Initial return of IPOs in India was as high as 289 percent for the period from 1990 to 1996 (Karmakar, 2002) to as low as 27.26 percent for the period 1999 to May 2006 (Kumar, 2006).

Underpricing is beneficial to investors as positive initial returns accrue to investors on the listing day but it is costly to the issuer. This then raises a question as to why underpricing exists despite the free-pricing of IPOs. Further it can be asked whether it is a consequence of the deliberate action of the issuer or is due to some other reasons which are beyond the control of the issuer such as economic downturns or stock market crashes.

A number of theoretical reasons are given by experts to explain the underpricing of IPOs. Rock (1986) floated the idea of information asymmetry between well-informed investors and less-informed investors as the reason for such underpricing of IPOs. According to him, the issuing firms are required to sell at a discount so as to keep the less-informed investors interested in the stock market. Allen and Faulhaber (1989) propounded the signalling theory whereby firms firstly, signal their good quality through underpricing and subsequently garner better prices for future issues. Information revelation theory was developed by Benveniste and Spindt (1989) which attributed underpricing to the presence of information asymmetry between the issuing firm and the investors whereby some investors, usually institutional investors, have superior information about the valuation of the firm than the issuing company. The issuing firm deliberately underprices its IPOs to reward these investors for revealing their information to the firm in the preselling stage and to compensate these investors for the cost of collecting the information. Ljungqvist et al. (2006) proposed the irrationality of investors as the possible cause for underpricing of IPOs.

A number of studies have found that stock market crashes or significant economic downturns and the resulting declines in stock markets affect the IPO market and IPO underpricing. Vithessonthi (2008) found that the initial return for IPOs issued in Thailand after the Asian financial crisis of 1997 was less than the previously reported initial return for the IPOs issued before the financial crisis. Sundarasen and Rajangam (2009) also noted a significant drop in underpricing in Malaysia after the Asian financial crisis. Sundarasen and Rajangam (2009) concluded that after the Asian Financial crisis the investors were relatively more informed and there may have been a change in investors' psychology. The financial crisis may have resulted in a more efficient market.

In contrast, Ang and Boyer (2009) found higher underpricing in the period after 1987 United States stock market crash. This was to compensate the investors for the higher risk perceived by them. The crash had led to a higher degree of risk aversion and hence a change in the psyche of the market. They observed that there was not only an increase in underpricing, but also a change in the quality of firms issuing IPOs after the 1987 crash period. This was evidenced by the reduced number of IPOs by riskier firms, that is, firms which had lower profits, more debt, lower revenue and smaller issue size. This indicated that there was a short-term change in risk aversion by investors. It can therefore be seen that stock market crashes may cause a short term change or a long-term change in the market which would in turn affect the underpricing of IPOs.

It is clear from the above review that IPOs, in India and in other countries, have been found to be underpriced but the degree of underpricing has varied. Studies conducted in other countries have also observed a significant effect of stock market crashes and economic crisis on the pricing performance and quality of IPOs. However, significant deviations have been found in the findings of different studies. Moreover rare studies are available that have attempted to determine the effect of such stock market crashes on the Indian IPO market. The present study is a humble attempt to fill this gap by finding out the effect of 2008 stock market crash on the underpricing of IPOs in the Indian capital market.

III. Research Methodology

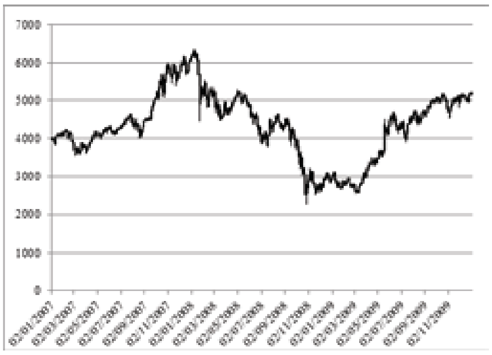
The present study compares pricing performance of Indian IPOs pre and post the 2008 market crash. This has been done by comparing the degree of underpricing (or overpricing) of IPOs issued in the pre-crash period (a period of three years prior to the crash) with the degree of under-pricing (or overpricing) of IPOs issued in the post-crash period (a period of three years after the crash). Thus, first the Indian stock market crash of 2008 has been identified and its exact timing has been determined.

Although there is no single definition of stock market crash, Kohn defines a stock market crash as “a large and sudden drop in securities prices” and refers to a crash as “a precipitous fall in securities prices”. Stock market crash refers to a steep double-digit percentage decline in a stock market index. According to Jones (2008) a double-digit percentage fall over five minutes qualifies as a stock market crash. Mishkin and White (2002) defined a stock market crash as a 20 percent decline in stock prices over a 12-month period. As per the definition of stock market crash by Business Dictionary a crash may persist for months and does not just refer to a single date but to a period. Furthermore, Patel and Sarkar (1998) defined a stock market crash as “an event when the regional price index declines, relative to the historical maximum, more than 20 per cent for the developed markets, and more than 35 per cent for the emerging markets.”

A stock market crash was experienced in 2008 in India. The NSE CNX Nifty, a stock index of fifty stocks listed on NSE, having reached a peak of 6357 points (and closing at 6287 points) on 8 January 2008, fell by 8.7 percent (on the basis of previous close to current close) on 21st January 2008 and by 5.94 percent on 22 January 2008, a total of over 14 percent over a two-day period on 21st and 22 January. On 22nd January, it touched a low of 4448 points which is 30 percent lower than the maximum level (intraday high) of 8th January, 2008. Clearly, the Indian stock market crashed on 21st and 22nd January of 2008.

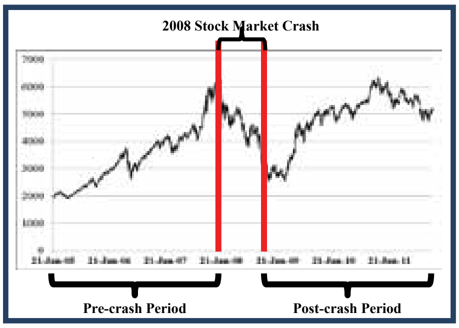
Thereafter, the stock market continuously declined, and experienced crashes on 8th, 10th and 16th October of 2008 as the daily decline (measured from previous high to current low) recorded has been in double-digit. There was another extremely sharp fall in Nifty on 24th and 27th October 2008. On 24th October, 2008 Nifty recorded a decline of 12.2 percent which is the highest single day decline for 2008 and is also the only double-digit decline (in closing values of Nifty) for a single day for 2008. The total decline in Nifty from the closing value on 8th January 2008 to 24th October 2008 reached 58.9 percent. The market touched its bottom on 27 October, 2008, having touched an intraday low level of 2253 points and closed at its lowest level of 2524 points since it achieved its peak in early 2008. Nifty declined by a total of 14.2 percent on 24th and 27th October from its close on 23rd October, 2008. It is quite evident that the stock market crashed once again on 24th and 27th October, 2008. It has also been observed that by 27th October, 2008, Nifty had fallenl by an exorbitant 3763 points from its highest close of 6287 points in January. This was a fall of almost 60 percent in less than a year and was the highest fall experienced by the Indian stock market in recent history, which is much higher than the decline of 35 percent specified by Patel and Sarkar (1998) for defining stock market crashes in emerging markets. Thus, the Indian stock market crashed from 21st January to 27th October, 2008 and this crash is clearly visible in Figure 1.

Figure 1: Chart of Nifty from 1 January 2007 to 31 December 2009



As the Indian stock market crashed from 21st January, 2008 to 27th October, 2008, the three year period from 21st January 2005 to 20th January 2008 is taken as the pre-crash period and the three year period from 28th October 2008 to 27th October 2011 is taken as the post-crash period. Figure 2 shows the stock market crash of 2008 and also demarcates the pre-crash and post-crash periods.

Figure 2: Chart of Nifty Showing the Pre-Crash and Post-Crash Periods



The sample of the study includes IPOs made in India during the period of three years prior to the stock market crash of 2008, that is, from 21 January 2005 to 20 January 2008, and three years subsequent to the crash, that is, from 28 October 2008 to 27 October 2011 and which got subsequently listed on the National Stock Exchange (NSE). The IPOs which got listed during the crash period, that is, from 21 January 2008 to 27th October 2008, are excluded from the sample as their returns might have been affected by the crash.

For an IPO to get included in the sample, it has to further meet the following criteria:

- The initial public offering should have been equity share offering.
- The issuer company should not have been previously listed on any stock exchange. Any companies which were delisted earlier and got subsequently listed during the period under study are excluded.

The sample of study includes 188 IPOs during the pre-crash period and 110 IPOs during the post-crash period. Secondary sources of data have been used for this study which primarily included PROWESS, the database on stock market research of Centre for Monitoring Indian Economy (CMIE), websites of NSE, BSE, and SEBI.

Underpricing has generally been measured by different researchers by determining the initial return. Initial Returns are computed by taking the percentage difference between the offer price (the issue price) and the closing price of the stock on the first day of listing. In the present study, underpricing is measured by determining the initial returns (IR) as per the equation below:

$$IR_{jL} = \left[\frac{P_L - P_i}{P_i}\right] X100 \qquad (1)$$

Where,

IR_{jL} is the initial return on the stock j on listing.

P_L is the closing price on the first day of trading on listing of the stock (listing price)

P_i is the issue price

The independent samples t-test has been used for comparing the initial return of the pre-crash period IPOs with that of post-crash period IPOs as this is a widely used tool for comparing difference of means of two independent tools. However, where the returns of the two periods have not been found to be normally distributed as per the Shapiro-Wilk and the Kolmogorov-Smirnov tests of normality, a non-parametric test, namely the Independent-Samples Mann-Whitney U test has been applied to make the comparison.

IV. Results and Analysis

It can be seen from Table I that there is a decline in the number of IPOs entering the market after the stock market crash of 2008, with the number of IPOs reducing from 188 in the pre-crash period to 110 in the post-crash period.

IPOs issued in both the pre-crash and post-crash periods have provided statistically significant positive mean initial returns, thereby showing that IPOs have been generally underpriced by the issuers irrespective of the market conditions. The mean initial return has declined from 34.05 percent for IPOs issued in the pre-crash period to 9.52 percent for IPOs issued in the post-crash period. Of the 188 IPOs of the pre-crash period, 52 IPOs are overpriced as they have provided negative initial returns (with mean IR of -13.05 percent) while 136 IPOs are underpriced, having provided positive mean initial returns mean of 52.06 percent. Forty-three of the total post-crash IPOs provided negative initial returns with a mean of -22.13 percent and the remaining 67 IPOs provided positive initial returns with mean of 29.83 percent.

The mean initial return of the IPOs issued in the post-crash period (9.52 percent) is found to be significantly different from the mean initial return of the IPOs issued in the pre-crash period (34.05 percent) on the basis of the results of two independent samples t-test given in Table I.

Table I: Initial Returns (IR) of IPOs (Pre and Post Stock Market Crash 2008)

PERIOD	Number of IPOs	Mean IR (In %)	Median IR (In %)	Std. Deviation of IR (In %)	t statistic (d.f.)	p value (sig.)
Pre-Crash Period (Three years prior to the stock market crash of 2008)	188	34.05**	22.81	53.70	8.69 (187)	0.000
Post-Crash Period (Three years post the stock market crash of 2008)	110	9.52**	6.06	35.98	2.78 (109)	0.006
t test for difference in means (t (d.f.), p value)	4.71 (290.6), p = 0**					
One year prior to stock market crash 2008	76	35.08**	20.27	62.60	4.88 (75)	0.000
One year post stock market crash 2008	13	11.86	2.08	38.23	1.12 (12)	0.285
t-test for difference in means (t (d.f.), p value)	1.20(87), p = 0.2					
Two years prior to stock market crash 2008	141	29.41**	15.86	51.46	6.79 (140)	0.000
Two years post stock market crash 2008	71	12.54**	6.45	29.73	3.55 (70)	0.001
t-test for difference in means (t (d.f.), p value)	3.02 (206.05), p = 0.003**					

* Significant at 5% level of significance
** Significant at 1% level of significance

The Mann-Whitney test has also been applied as the tests of normality have shown that the initial returns of IPOs in the pre-crash period (W (188) = 0.824, p = 0 and D (188) = 0.122, p= 0) are not normally distributed at 5 percent level of significance and neither are the initial returns of IPOs in the post-crash period (W (110) =0.968, p = 0.01 and D (110) = 0.112, p=0.002). The results of Mann-Whitney test in Table II show that mean rank of the pre-crash period initial return (164.32) is higher than that of the post-crash period initial return (124.16). The results of Mann-Whitney test confirm the results of the independent samples t-test that the initial returns of the pre-crash period IPOs are statistically significantly different from those of the post-crash period IPOs.

Table II: Mann-Whitney Test of Difference in Initial Returns of IPOs (Three Years Prior to and Post Stock Market Crash)

Period	Number of IPOs	Mean Rank	Sum of Ranks	Mann-Whitney, U	p value (sig.)
Pre-Crash	188	164.32	30893	7553*	0.000
Post-Crash	110	124.16	13658		
Total	298				

* Significant at 1% level of significance

This indicates that there is a change in the underpricing of the IPOs after the stock market crash of 2008. The underpricing of the IPOs issued in the period before the crash is found to be significantly higher than that of the IPOs issued after the crash.

It is necessary to understand whether this decline in the initial returns of the IPOs issued after the crash is a long-term change or just a short-term change. For this purpose the underpricing of the IPOs issued in the one year window prior to the crash and one year post the stock market crash of 2008 has been compared. It can be seen from Table I that 76 IPOs have been issued in the one year period prior to the crash and these IPOs have provided a statistically significant mean initial return of 35.08 percent. On the other hand, only 13 IPOs have been issued in the one year period after the 2008 crash and these IPOs have provided mean initial return of only 11.86 percent, which is not even statistically significant. There is however, no significant difference in the initial return of the IPOs issued one year prior to the crash and the initial return of the IPOs issued one year post the crash at 5 percent level of significance.

As the initial returns of the IPOs issued during the one year prior to crash period are not normally distributed (W (76) = 0.832, p = 0 and D (76) = 0.142, p = 0.001) and neither are the initial returns of the IPOs issued during the one year post the crash (W (13) = 0.681, p = 0 and D (13) = 0.299, p = 0.002), the Mann-Whitney test has also been applied. The results of the Mann-Whitney test provided in Table III confirm those of the independent t-test that there is no statistically significant difference in the initial returns of IPOs for one year period prior to the crash and one year after the crash at 5 percent level of significance.

Table III: Mann-Whitney Test of Difference in Initial Return of IPOs (One Year Prior to and Post Stock Market Crash)

Period	Number of IPOs	Mean Rank	Sum of Ranks	Mann-Whitney, U	p value (sig.)
One Year Prior to Stock Market Crash 2008	76	46.61	3542	372	0.156
One Year Post The Stock Market Crash 2008	13	35.62	463		
Total	89				

As no statistically significant difference is found in the initial return in the period one year prior to and one year post the crash, the period surrounding the crash has been increased further to two years, that is, 24 months prior to the crash and 24 months post the stock market crash of 2008. The 141 IPOs issued in two years period prior to the crash are observed to provide a significant mean initial return of 29.41 percent while the 71 IPOs issued two years post the crash generated a significant mean initial return of only 12.54 percent. The results of the independent-test given in Table I indicate that the difference between the initial return for these two periods is statistically significant at one percent level of significance.

The initial returns of IPOs issued in the period two year prior to the crash have not been found to be normally distributed according to the results of Shapiro-Wilk and Kolmogorov-Smirnov tests of normality (W (141) = 0.837, p = 0 and D (141) = 0.116, p = 0). Similarly, the initial returns of IPOs issued two years post the crash are also not found to be normally distributed (W (71) = 0.889, p = 0 and D (71) = 0.180, p = 0). Therefore, Mann-Whitney test has been conducted and its results (shown in Table IV) confirm the results of the independent t-test. Therefore, initial returns of IPOs issued in the two years prior to the crash is statistically significantly different from the initial return of IPOs issued in the two years post the crash.

Table IV: Mann-Whitney Test of Difference in Initial Returns of IPOs (Two Years Prior to and Post Stock Market Crash)

Period	Number of IPOs	Mean Rank	Sum of Ranks	Mann-Whitney, U	p value (sig.)
Two Years Prior to the Stock Market Crash 2008	141	112.65	15884	4138*	0.040
Two Year Post the Stock Market Crash 2008	71	94.28	6694		
Total	212				

* Significant at 5% level of significance

V. Summary and Conclusion

IPOs issued in both the pre-crash and post-crash periods are observed to have provided statistically significant positive initial returns. This implies that IPOs have been generally underpriced by the issuers irrespective of the market conditions. However, a significant sharp decline in the initial returns (underpricing) of the IPOs has been observed after the stock market crash of 2008. Although the mean initial returns of the IPOs issued in the one year post the crash is observed to be considerably less than the mean initial returns of the IPOs issued in the one year prior to the crash, the difference has not been found to be statistically significant. In contrast, the mean initial return is seen to have declined significantly from 29.41 percent in the two year period prior to the crash to only 12.54 percent in the two year period post the crash. Further, it is found that IPOs issued during the three-year period after the crash (post-crash period) have been underpriced less than the IPOs issued in the three-year period before the crash (post-crash period) as the IPOs in post-crash period have provided significantly lower initial returns.

In summary, the comparison of the underpricing in the pre and post-crash period reveals that the IPOs issued after the crash (post-crash period) have been underpriced to a lesser extent in comparison to the IPOs issued before the crash (pre-crash period). This is evidenced by the significant lower initial returns of the IPOs issued after the stock market crash of 2008. The findings are similar to the findings of Vithessonthi (2008) of lower initial return for IPOs issued in Thailand after the Asian financial crisis of 1997 and also to the findings of Sundarasen and Rajangam (2009) of a significant drop in underpricing in Malaysia after the Asian financial crisis. However, these findings are contrary to those of Ang and Boyer (2009) who found higher underpricing in the period after 1987 United States stock market crash.

This decline in underpricing could be attributed to two alternative reasons. The first reason is that the stock market has become more efficient after the crash as the IPOs are underpriced less. This is in line with the findings of Sundarasen and Rajangam (2009). In such a case, only established companies, which were bigger in size and had a good track record of profitability and growth, may have come out with IPOs. Such companies would have less ex-ante uncertainty; hence the shares of these companies would be expected to carry less investment risk. Consequently, these companies would need to underprice their IPOs to a lesser extent so as to make their IPOs a success. At the same time, the companies with greater ex-ante uncertainty may have stayed away from the primary market because their IPOs would be perceived to be more risky by investors. This would result in a decline in the average initial returns.

The second reason, which may explain the significant decline in the underpricing after the stock market crash, is based on investor sentiments and investors' response to the IPOs. The stock market crash of 2008 may have led to an increase in the level of risk aversion by the investors. A large number of the highly risk-averse investors may have even left the IPO market after the crash. The remaining investors may have been selective in their choice of IPOs for investment. Accordingly, there would be a general decrease in demand for the IPOs. This would mean that the slack response of the investors would not push the market price of the shares as high upon listing as it did prior to the crash and consequently translate into lower initial returns after the crash.

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Divya Jindal
Assistant Professor,
Apeejay School of Management, Sector 8,
Institutional Area, Dwarka, New Delhi
E-mail: divyajindal@yahoo.com
Phone No. : 91-9015337748

Ravi Singla
Assistant Professor,
University School of Applied Management,
Punjabi University Patiala, Punjab.
E-mail: singlar@rediffmail.com
Phone No. : 91-9463370707

FINANCIAL MANAGEMENT PRACTICES OF SCHOOL HEADS: TEACHERS' PERSPECTIVES

Francisco M. Espinosa

Abstract

The purpose of this study is to investigate about the performance of the teachers who were from the public high schools in General Santos City and the development of any educational sector while taking into consideration the management of its finances. Qualitative research design using phenomenological approach established how teachers as participants make meaning of financial management at their schools by doing analysis of the participants' perceptions, attitudes, understanding, knowledge, values, feelings and experiences about their schools' financial management. The total number of participants was 11 for the in-depth interview and six for the focus group discussion. The participants in this study are all currently teaching in government schools in General Santos City. Results highlighted that financial management practices of the school heads help schools to draw up a budget, set objectives, identifies the sources in terms of human resource, time allocation, teaching and learning materials and appropriate costing. To enable the principals manage financial resources more responsively to the performance and instructional needs of the teachers, it would be very crucial if school leaders like them get a continuous boost of their own professional development by acquiring relevant financial skills and abilities required to effectively manage resources in the school.

Keywords: *Financial Management, Teaching Performance, School Heads, Funding System, Competence, General Santos City, Region XII, Philippines*

Introduction

School principals like any leaders of any organization have decisions to make when it comes to utilization of the funds channeled to public schools (Atieno, 2012). These decisions according to Brigham and Houston (2012) have financial implications on the financial management of school principals who play the most crucial role in ensuring schools' effectiveness and performance taking into account the day to day operations of the school (Ballada and Ballada, 2012).

Republic Act No. 9155 in the Philippines or commonly called as Governance of Basic Education Act of 2001 mentioned how school principals are expected to administer and manage all personnel, physical and fiscal resources of the school. It is in this context that this study investigated how the perspectives of the teachers from the public secondary schools in the Division of General Santos City reveal principal's practices on managing funds, developing transparent financial systems and policies help teachers perform better in their teaching. Hence, this study was conducted.

Theoretical Framework

This study is framed in line with these theories: Budget Theory, Theory of Financial Control and Agency Theory.

Budget Theory

This theory deals with the academic study of the political and social motivations behind government and civil society budgeting (Adams ,1985). This theory was discussed more evenly during the Progressive Era and even in academic and quasi-academic facilities. The theory focuses on participation in public sector activities. This budget theory states that there should be wide participation of the public in budgeting, and the budgets ought to reflect the average person (Schick, 1973). In the context of public secondary schools, the budgeting process should involve all stakeholders particularly, parents, government representatives, financiers, and the schools' management. In other words, it should not be so ambitious that some parents will find it hard to contribute towards catering for the activities and expenses spelt out in the budget.

Theory of Financial Control

The theory of financial control was advanced by Ostman (2007). The theory considers the personal functions of humans, both present and future, as its fundamental reference point. Theory of Financial Control highlights the significance of the current as well as feasible functions of financial tools. It further points out that organization's internal and external financial factors including payments, financial instruments, accounting, control models, economic calculations, and related considerations need to be looked into at all phases and levels.

It was further observed that in the context of financial control, it is necessary to understand how activities relate to financial processes.

Agency Theory

Agency theory was proposed by Jensen and Meckling (1976). The theory states that an agency relation exists when a person (the principal) hires another person (the agent) to perform certain tasks or services on behalf of the principal. According to this theory, conflict arises between the principal and the agent. This stems from conflicting interests between the two parties. The agent strives to maximize reward for their effort, or if the reward is given, minimize the effort.

On the other hand, the principal wants to reduce the costs of hiring agent, or to maximize the output of the principal. It is noted that the discrepancy of interests between the two parties leads to agency problems (conflicts). These agency conflicts are often severe and common in public institutions (Jensen & Meckling, 1976). In the case of financial management in public secondary schools, the government, parents and other financiers are the principals. On the other hand, the principal and bursar are the agents. According to Jerzemowska (2006), conflicts between owners (parents and government) and managers principals and bursars) result in the formulation of contracts to mediate the agency relationship.

Currently, the school has evolved into a rather convoluted sphere. Such implies the demand for it to be responsive to the occurring fast-paced changes of time, hence the need for versatility and flexibility. It implies that these changes must also be addressed through appropriate leadership practice (Harris, 2010; Leithwood, Harris and Hopkins, 2008). As Coates (2010) postulated, future thinking is centered in innovation among individuals and teams which goes beyond replication and predictability and leads to regeneration and possibility. Thus, the 21st century required a leadership development that concerns the holistic involvement groups rather than individuals.

Research Questions

Specifically, the study will answer these questions:

1. What are the experiences of the teachers in performing their roles while school heads act as financial managers of their schools? ;
2. How do teachers cope with the challenges of their roles while school

heads assume financial management roles?; and

3. What are the insights of teachers about the way school heads handle school finances?

Review of Related Literature

Financial Management in Schools

The concept of Financial management in Schools describes the process of ensuring that school leaders plan, organize, delegate and control the funds of the school to achieve its goals. Ajaegbo (2009) stressed out that financial management is a key factor in knowing how the school is effectively managed or if it is able to realize its objectives. The Department of Education sets forth the role of the principal relevant to financial management in the school context as the Philippine government provides for the budgetary needs of the Philippine public schools (Zarate, 2009). Financial management in Schools often presents the broader frame of management which is inclusive of all stakeholders as required by the Department of Education. Within this frame, power at school level is not centralised around one person, (the principal), but is shared as far as possible, should be inclusive of all relevant stakeholders. This called for active participation of various stakeholders, including teachers in school governance and decision-making processes such as finance related matters (Chaka 2008).

Financial Management Functions of School Principals

In schools, the principals are part of the school's financial management ranging from resource management to the accounting of financial utilization. Hence, the school shall plan the budgetary requisites which shall cover budgeting, setting objectives, managing human resources, time setting, purchasing of learning resources, and the relevant costing. All these are being overseen by financial management Hunjra, 2010). Furthermore, part of financial management is the sourcing of alternative funds and ensuring that it helps in the attainment of the goals of the organization. Bradley (2009) emphasized that effective and efficient financial management is manifested in the proper documentation of financial report. As budgeting is supported by the Philippine government, principals must then be compelled to ably do financial management to ensure education for all in the context of financial resources (Orcullo,2008).

Financial Management Practices

There has been a change of roles of principals as the 21st century came in to introduce educational reforms (UNICEF–UNESCO,2009). The principal is the chief accounting officer who plays the role of a teacher and at the same time the bursar (Blanchard, Carlos and Randolf,2011). If principals practice financial management there is transparent and accountable implementation of programs to achieve academic excellence (Thenga , 2012). Principals can plan, control and monitor the school finances throughout financial management and in budgeting, accounting and monitoring effective implementation of school budget (Wheelen and Hunger, 2010).

Challenges of Financial Management in Schools

The educational reforms in the field of education posed various challenges related to financial planning, financial reports and financial controls. Barasa (2009) recognized that efficient management of financial resources is an important task for school principals. As leaders, they are often confronted with the tasks to ensure that financial resources are made available to run the different departments of the school (Cole and Kelly, 2011). Most important to these tasks, according to Miriti and Wangui (2014), the principals are expected to set the funds available to support instructional needs of teachers and students required in the teaching and learning process. Funds could be used to purchase apparatus such as chalks, textbooks, pay the support staff and build or improve infrastructures (Mito and Simatwa , 2012). Moreover, learning achievement and engagement in all levels which is anchored on the curriculum have been a top priority of schools and are key areas in strategic planning. However, some areas including property, health, as well as safety-related costs were funded even if it would affect the allocation for curriculum. Generally, schools need to operate using a conservative approach considering the budget at hand (Theodotou, 2014). This implies that innovative approaches may slowly be integrated in the development of national frameworks and other related legalities concerning curriculum. This premise suggests that school leaders should be highly strategic and responsible in the operationalization of their tasks.

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Definition of Terms

The following terms are defined to give the readers clearer understanding of the study.

Financial Management Practices. It involves financial planning and budgeting, financial accounting, financial analysis, financial decision making and action. Financial management includes reviewing, forecasting and building of and budget control and monitoring. In this study, these practices refer to the capacity of a principal to manage financial resources to help teachers work with stakeholders and practice instructional competencies to meet the ever-changing needs of the community in general with respect to identified responsibilities in the context of the school.

School Principals in National High Schools. These are persons who head any of the public school secondary schools in the Division of General Santos City.

Teachers' Perspectives. This refers to what teachers do as teachers and why they think such actions are worthy and justified considering these areas in teaching Transmission, Apprenticeship, Developmental, Nurturing, and Social Reform. Each perspective is a competent of complex web of actions where each formulate it owns set for criteria used for assessment and evaluation. They determine the teachers' roles and self-images as reflected in their practices.

School Financial Management. This pertains to the relationship between school financial management manifested in the performance of management actions (regulatory tasks) and the financial aspects of schools for an authority to achieve the set goals.

Methodology

Research Design

This study utilized a phenomenological approach, an appropriate qualitative method which according to Creswell (2015) supports the analysis of the teachers' perceptions, attitudes, understanding, knowledge, values, feelings and experiences about financial management practices of the school heads while they perform their instructional role.

Interview and Focus Group Discussion were used to invite the key informants to share their conceptions, insights and analysis of their instructional roles while their principals manage the finances of the schools. Interview questions were crafted using the questions stipulated in line with the dealing with the experiences, challenges and the insights of key informants' instructional roles while their principals manage the finances of the schools.

Role of the Researcher

As a researcher, I took time to conduct this phenomenological - based research that included interviews and focus group discussion. I established good level of rapport and empathy to gain depth of information from key informants.

The key informants shared their conceptions, insights and analysis of their instructional roles while their principals manage the finances of the schools where the participant has a strong personal stake.

Analysis of this phenomenological research was generated from voluminous interviews, recordings and other documented data from key informants who shared their conceptions, insights and analysis of their instructional roles while their principals manage the finances of the schools. Analysis of the gathered data does not only fall under specific criteria which could be interrelated through discussions and observations. Coding pertains to the naming and categorizing of the examined data (Denzin and Lincoln, 2011).

Data analysis is verified through the generalizability, the reliability, and the validity of findings. Generalizability pertains to how data can be generalized, the constant of the results is the nature of reliability, where validity refers to how the objectives of the study have been realized. Halkier (2011) stressed that verification must be observed in the course of the study and before the findings. Researchers however may choose to perform generalizability, reliability, or validity through the research process stages.

Research Participants

A total of 11 key informants were asked to participate in this study, of which are five women and six men. All the key informants currently teach in government schools in General Santos City. There is only one teacher whose teaching experiences reached eight years. Five teachers have taught from 10 to 15 years. Five have 16-20 years of teaching experiences. They were selected as participants to this dissertation because of your teaching experiences that relate to how financial practices influence their teaching roles. The ideas expressed by these individuals were used to sort out issues, insights and perceptions related to the financial management practices of their school head. For purposes of confidentiality, the participants were given assumed names. One focus group discussion was conducted with six participants, three women and three men. All of them came from the same locale and were uniformly chosen to become key informants. The teaching experiences of the focus group participants ranged from 15 to 20 years.

These individuals revealed to me during the conversations I had their experiences that relate the influences of their school heads' financial management practices to their teaching roles. I utilized the snow ball sampling method suggested by Mack, Woodsong, et.al (2005) and with this method.

Referrals and recommendations from them were used to get more informants. I did not encounter so much difficulty in arranging the meetings with the recommended informants because my colleagues facilitated the collection of rich information. I was provided with trust by these people who somehow had some connections with the referrals I met.

Data collection

The data collection method used for this research includes focus group discussion and one-to-one interviews. Both processes involve the generation of large amounts of data. Records made after what is said and done during an interview or focus group were taken down with handwritten notes. The audio-recording of the data collection was transcribed in verbatim before data analysis began. Data reduction was done to the data transcribed from all interviews that were audio-recorded using through time-consuming approach that involved multiple playbacks of every documented interview at a convenient pace to make me keen on emerging data in an intrapersonal and reflexive (sometimes unconscious) recognition of the emerging patterns in the data. Data display is evident as the themes generated out of the data gathered were confronted with research questions and were identified as major themes. The table presents those major themes opposite the core idea from the participants' responses. Conclusion drawing and verification allowed me to point in the study the development of the preliminary ideas and patterns of the findings.

Ethical Considerations

In doing this qualitative research, the following ethical concerns were carried out: anonymity, confidentiality and informed consent.

According to Stake (2010), the nature of confidently is not definite since it involves inputs from the outcome the may be expected from the research.

Clarifications included the following issues: the nature of the study, the participants' potential role, the identity of the researcher and the financing body, the objective of the research, and how the results will be published and used. Informed consent naturally requires ongoing negotiation of the terms of agreement as the study progresses.

Results and Discussion

Teachers' Experiences in performing their roles while school heads act as financial managers

From the data collected on the experiences of the participants, five main themes emerged. These themes are: School Head needs financial acumen; There are efforts at financial transparency; Needs for resources and materials are unmet; Stakeholders are Involved in financial planning; and Teachers keep an eye and claim their stake on school resources.

Research Problems	Themes
Experiences of Teachers based on School Principals' Financial Management Practices	☐ School Head needs financial acumen ☐ There are efforts at financial transparency ☐ Needs for resources and materials are unmet ☐ Stakeholders are Involved in financial planning ☐ Teachers keep an eye and claim their stake on school resources.
Challenges encountered by Teachers based on School Principals' Financial Management Practices	☐ Being keenly engaged and involved ☐ Being resourceful and creative ☐ Establishing connection and links.
Insights gained by Teachers based on School Principals' Financial Management Practices	☐ Consider stakeholders as indispensable partners ☐ Facilitate preparation and planning ☐ Encourage imaginative alternatives ☐ Handle school finances credibly and plausibly ☐ Perform function with caution and prudence.

Table 1. Themes generated from the Experiences, Challenges and Insights gained by Teachers based on School Principals' Financial Management Practices

School Head needs financial acumen

School heads should be fully equipped with skills in financial management since they are the primarily the accounting officers in their schools (Ada,2008). Responses from the eleven key informants about the policies of Department of Education on financial transparency, accountability and responsibility revealed that financial acumen of school heads has to be a learned skill.

The principal as financial managers in a school are responsible for budgeting, implementing budgetary plans, controlling the implementation processes and reporting the results (Kwaghbo, 2008). The concept of financial management in a school includes accounting system of a school whose aim is to provide prudent control and proper accountability of all funds received in a school. Its mandate is to provide accurate, current and complete disclosure of the financial status of a school (Amenyah, 2009).

There are efforts at financial transparency

Key informants were asked to share how their school heads take the initiative to disclose financial information to the constituents. Almost all the informants mentioned the transparency board and the conduct of meetings to share the information and receive feedback too. Financial management being the process of planning and utilization of school funds should provide policies and procedures, rules, regulation and guidelines on how best the school funds can be planned for, deposited, withdrawn and pay for goods and service. This will ensure money is spent for the right purpose (Mungazi, 2012). Financial management is required and it is critical in a school in order to instill good governance, accountability and transparency in dealing with public funds. (Simatwa, Mobegi and Ondigi , 2012).

Needs for resources and materials are unmet

Key informants were asked to share about their roles to ensure that school financial management responded to the instructional needs of the school. Sharing include the need to use finances so 21st century techniques are applied in conducive environment and avoid shortage of testing materials due to financial constraints. School finances are used for the day-to-day running of the organization. It is of paramount importance to note that every school manager or head teacher needs to plan the school budget either termly or annually to achieve optimal school objectives and for the effective management of finance. According to Thenga (2012), responsibility of the school administrator is to ensure the availability of funds to enhance better learning and teaching. According to Ngubane & Xana (2010), principals as chief accounting officers of their respective secondary schools are supposed to generate funds internally to run their schools as well as ensure that funds provided by stakeholders are properly managed.

Stakeholders are involved in financial planning

Teachers from the identified schools to participate in this study expressed their opinions and take up greater responsibility for decision-making for financial planning. Teachers became more like partners rather than employees. Stakeholders share with the principals' responsibilities in sourcing for school funds, planning, budgeting implementing and evaluating utilization of resources for development of their school. (Endale, 2011). The success of any educational program depends on how schools manage and utilize their financial, material and equipment effectively and efficiently (UNESCO, 2013). The collaboration with internal stakeholders, like teachers, pupils and other staff members, as well as external ones such as parents, local government, school council members is important in highly decentralized education system.

Teachers' coping mechanisms while school heads assume Financial Management roles

The data concerning the coping mechanisms used by the teachers as key informants of this study were gathered from the interviews and focus group discussion. Results could be summed up with these themes: Being keenly engaged and involved; Being resourceful and creative; and Establishing connection and links. Results relate how teachers need to exert efforts to transform themselves into exemplary educator preparation institutions, many programs are becoming more entrepreneurial, recognizing new opportunities and making changes required to respond to the needs of 21st century learners.

Being keenly engaged and involved

The key informants of this research highlighted the need to be keenly involved in the financial management activities in the school to ensure quality teaching and learning process. Today as never before, the society's challenges demand educational excellence so that teachers could adequately prepare all students with the essential 21st century knowledge and skills necessary to succeed in life, career and citizenship.

Mandell and Klein (2009) noted how effective decisions with all of their financial resources motivate teachers to still teach with competence despite financial constraints in the school setting. Teachers' involvement in these practices helps school leaders to follow the ongoing roadmap to realize the holistic function of the school in valuing the ideas of its stakeholders in the community (Akpakwu, 2008). When teachers express their interests and support to the programs of the school, they could be motivated to foster varies projects and programs that are financially viable and are responsive to student development.

Being resourceful and creative

Key informants of this study stressed that the financial constraints did not at all stop them to become resourceful and creative to ensure they manage teaching – learning process better.

Lyons (2012) added that teachers can provide useful tasks without needing access to expensive resources. Teachers can make use of the available resources so that learning, although a complex activity, involves interplay of students' motivation, physical condition, teaching resources, skills of teaching and the curriculum. All these play a vital role in a student's development.

Establishing connection and links

Key informants mentioned that lack of financial resources could be remedied if stakeholders could be asked to consider directly supporting the development of the financial operations and management in schools. In respect to the availability of the available resources, the after-school program considers the set budget and may be disregarded in the presence of more important priorities. The presence of other stakeholders including parents, teachers, etc. allows a comprehensive view on all possible aspects which may be overlooked by the school officials in the decision0making process which establishes a sound and impartial check and balance system (Koross & Waithanji, 2009).

Insights of Teachers about the Way school heads handle school finances

Insights from the experiences and challenges that teachers encountered while performing their teaching roles with limited financial resources that school principals utilize generated these themes: Consider stakeholders as indispensable partners; Facilitate preparation and planning; Encourage imaginative alternatives; Handle school finances credibly and plausibly; and Perform function with caution and prudence.

Consider stakeholders as indispensable partners

The involvement and role of each stakeholder will be based on national circumstances, educational systems and culture but the stakeholder's responsibility and accountability must be first establishment prior to the implementation of school projects.

According to Adams (2010), community schools may be responsive to economic-related challenges through the sharing of responsibilities, expertise, and accountability. These collective experiences may be of help in improving their own localities and communities. Collaboration matters greatly in school reform. Leadership structures with top-down and bottom-up communication flow make it possible for stakeholders to push back and negotiate to meet both community and district goals (Chapman, 2008).

Facilitate preparation and planning

Teachers during the interviews and the focus group discussion mentioned that financial management is pivotal in the context of school management.

Financial management was appreciated as long as planning and preparation on the utilization of resources to attain monetary value in the school. Barasa (2009) highlights the need for head teachers to integrate efficient financial resources management in their respective tasks as its absence may impede the realization of the tasks of schools. Accordingly, Cole & Kelly (2011) stated that the very essence of the control function of management lies in measuring the performance in consideration of set standards and objectives and by allowing the use of corrective actions in the operations.

Encourage imaginative alternatives

Financial management experiences strengthened cooperation among schools through the sharing of best practices. Such allows concerned stakeholders in the effective implementation of their financial education strategy by integrating previous experiences in recognized efficient practices.

All the responses opened the opportunity to use such information to satisfy the concerns of not only internal management but also external stakeholders. The resources available to education institutions impacts significantly on the quality of its services (Ekundayo, 2010). Financial resources are important organizational resources. No organization has ever succeeded without financial resources.

Handle school finances credibly and plausibly

The interview results together with the focus group discussion data introduced how principal's spending practices need to be anchored on measures to enhance accountability and transparency. According to a study by Wango and Gatere (2012), school management and school heads are responsible for demonstrating accountability and transparency and delegating financial responsibility.

Sound fiscal management is not only significant but also requires collaborative focus and efforts. Wushe, Ndlovu & Shenje (2014) maintained that concerted efforts by school principals, school development committees and other stakeholders such as community are required for proper decision making and proper use of school resources. The authors noted that administrators in secondary schools in Harare lacked financial skills needed for prudent management of school funds.

Perform function with caution and prudence

Responses from the key informants revealed that education service delivery ought to pay attention to basic budgeting tasks such as accounting procedures that reflect the true financial position of the school. As such, managers were less committed to their organization. The study however did not explicitly explain how budgetary control and management influenced management of funds at universities and municipalities. Mwanza (2013) found out that governance enhances proper management of funds. It was further noted that budget, internal controls and financial reporting enhance financial management. The effect of financial management practices on organizational performance was put into perspective (Ahmed, Babar & Kashif, 2010). The study noted that school heads and relevant management bodies were entrusted with the responsibility of ensuring funds were well managed in the school. This was through proper and adequate budgeting, procurement of items and purchases and ensuring high levels of accountability and transparency in all activities. The study emphasized on prudent financial management on schools in order to ensure resources are allocated adequately and to enhance achievement of school objectives.

Conclusion

The study focused on the discussion of the experiences of the study participants with regards to the financial management roles of their school heads based on their insights and perceptions as well as the constructs which emerged from the information gleaned through in-depth interviews. To enable the principals manage financial resources more responsively to the performance and instructional needs of the teachers, it would be very crucial if school leaders get a continuous boost of their own professional development through the acquisition of skills focused on their ability to effectively management the resources of an academic institution. The data from the key informants were found to be similar and analogous.

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Francisco M. Espinosa
University of Mindanao
Davao City, Philippines
Email: franz6656@yahoo.com

VIPASSANA MEDITATION: AN EFFECTIVE PRACTICE FOR POSITIVE CHANGES IN EMPLOYEES

Seema Pradhan, Ajith Kumr V. V.

Abstract

This study is conducted to measure the effectiveness of Vipassana meditation through statistical and comparative analysis on the behavior and personality of the employees working in organizations operating in India. The impact of Vipassana meditation is studied empirically in terms of measurable changes with reference to emotional intelligence, workspace spirituality, coping with stress and interpersonal relationships. We hypothesized that these behavioral aspects are positively impacted by Vipassana Meditation. For this purpose a self-designed questionnaire based on the above mentioned constructs was formulated and pilot tested. The resultant questionnaire was administered for data collection. The data was collected using a quantitative survey involving two employee groups comprising of meditators and non-meditators each with 220 adult individual members. The results showed higher levels of behavioral and personality aspects related to the four constructs in the meditator employees and were consistent with the hypothesis. By practicing Vipassana meditation and mindfulness, employees have experienced a positive change in their mental attitude. This indicates that Vipassana Meditation is an effective intervention to enhance personal, interpersonal and professional effectiveness in employees. This will help in leading to progressive enterprise growth and development in terms of greater teamwork, better management of conflicts, and enhancement in goal congruence.

Keywords: *Vipassana Meditation, employees, behavior, personality*

Introduction

"The religion of the future will be a cosmic religion. It should transcend a personal God, avoid dogmas and theology. Covering both the natural and spiritual, it should be based on a religious sense arising from the experience of all things natural and spiritual and a meaningful unity.

Buddhism answers this description. If there is any religion that would cope with modern scientific needs it would be Buddhism."

Albert Einstein

The current times are dominated by materialism, and the use of technology to invent more and more gadgets, items that will make human life more comfortable and fulfilling. The assumption is that this will automatically lead to happiness. Sadly the actual picture is far from this. It has only been successful in generating more greed in human beings while creating problems in almost all aspects of life, socio-economic, interpersonal, emotional, work place related, environmental as well as stress related problems. This gigantic scale of problems have made us understand that there is more to happiness, and peace than just materialistic achievement and there needs to be a balance between the two in order to achieve harmony in life. This has paved the way to try and apply different ways and approaches to find harmony, meaning and peace in life which has led to embarking on spiritual pursuits.

At present a deeper awareness regarding

the power of spiritual methods in terms of understanding, recognizing and addressing detrimental habitual ways or patterns of behavior is being contemplated. Spirituality encompasses our thought patterns, behavioral outcomes, our feelings, emotions and dreams, and shapes our perception of meaning of life (Fromm, 1947). Many scientific studies have shown the positive effects of meditation on stress, blood pressure, anxiety, psychological disorders (Kabat-Zinn, 1982, 1990, 1996), mental alertness, awareness and physical wellbeing as well as restfulness (Udupa et.al., 1975). Moreover, the brain studies conducted on meditators indicate that, attention span, learning ability and memory, as well as, creativity is improved due to increased coherence in brain wave functions.
Meditation has been used in present times as an alternative to standardized conventional medical interventions as well as treatments and has shown positive results.

Amongst different types of meditation practices the ancient technique of Vipassana Meditation is considered, by modern science, to be able to identify and change deep-rooted behaviour patterns ingrained in a person. It is held as an important meditation method leading to personal transformation.

In this study the relevance of Vipassana Meditation (VM) is studied by using it as an intervention to see its effect on employees' behavioural and personality development with the belief that this will be conducive to business and organizational progress.

For this purpose we designed a comprehensive questionnaire based on four constructs namely - Emotional Intelligence, Workspace spirituality, Coping with Stress and Interpersonal relationships. The findings are analyzed statistically and conclusions are drawn which validate the research hypothesis put forth by us.

Formation of the Contructs

Spirituality is seen as a transformational process by which the different aspects of life, like, work and occupation, family and emotional, physical as well as, intellectual, and rational, are integrated (Staude, 2005). Effective individuals are able to connect with other people, are in control of their emotions, have self-discipline and drive and know themselves. Keeping this in view, as explained earlier, the following four constructs were referred to and certain aspects of each one were utilized for understanding more about them in this study.

Emotional Intelligence (EI)

At present awareness and mastery of emotions or EI is associated with being effective and considered as a practical skill that can be learned. Emotional intelligence is a trait that can be cultivated.

Mayer, Caruso, & Salovey, 1999, have stated that "Emotional intelligence is involved in the capacity to perceive emotions, assimilate emotion-related feelings, understand the information of those emotions, and manage them" (p. 267).

The concept of EI was proposed by Mayer and Salovey in 1990. Since then a number of EI models have been developed. One of which is the modified version by Mayer and Salovey putting forth EI within a model of intelligence (1990; Mayer, Salovey, & Caruso, 2000). Reuven Bar-On, 1988, talked about EI in terms of a model of well-being and as a personality theory, whereas Goleman, 1998, considered EI as a theory of performance. However, all these models consider EI as the ability we have to be aware of and understand our own and others' emotions. EI has four components - Self-Awareness, Self-Management, Social Awareness, and Relationship Management.

Research has found that EI is associated with life satisfaction and well-being (Palmer et al., 2002), success in life (Goleman, 1995), academic achievement (Van der Zee et al., 2002), interpersonal relationships (Fitness, 2001) and occupational stress (Bar-On et al., 2000; Vesely et al., 2013). Goleman, 1995, has documented that EI has an important contribution in managerial abilities and performance. Chandra Mohan and Prasad, 2002, have reported that EI acts as a guide to professional success. At present the research interest is to find out the relationship between physical and psychological health and emotional reactions.

As compared to this, not much research has been done to understand the impact of meditation on EI. Tamwatin, 2012, reported that meditation helps to increase leadership skills and trait EI (Schutte and Malouff, 2011; Chu, 2010). Tischler et al, 2002, have explored the impacts of EI and spirituality on effectiveness in workplace and have put forth number of models for understanding the connection between these variables.

Workplace Spirituality (WS)

Biberman and Whitty, 1997, stated that, “rekindling the spirit in work is not only good business, but also subconsciously sought after by workers and managers alike” (p. 135).

Ashmos and Duchon, 2000, defined WS as “the recognition that employees have an inner life that nourishes and is nourished by meaningful work that takes place in the context of community” (p.137). Stating that people work with their hands and hearts together, they put forth three components for WS - conditions for community, meaningful work and inner life at the workplace. Previous studies have focused on these three components to measure workplace spirituality (Duchon & Plowman, 2005).

WS gives employees a feeling of togetherness and being connected which generates commitment, belongingness, and effectiveness in employees (Garcia-Zamor, 2003). It also takes care of the activities that deal with our basic values and characteristics such as honesty, trust, compassion, and meaningfulness, as well as, wellbeing of employees, their personal development, commitment towards job and finding joy at work (Petchsawange & Duchan, 2012). Showing concern for other people and good interpersonal work-relationship have indicated better job satisfaction and low turnover amongst workers (Gull & Doh, 2004; Ashraf et al., 2014). At the same time it has shown increased performance and efficiency of the group as well as in group cohesion (Bass, 1990; Champoux, 2000; Aravamudhan et al., 2015; Rego et al., 2008).

Kale & Shrivastava, 2003, stated that companies are becoming aware that a spiritual workplace is a more profitable and harmonious workplace and are considering ways to fulfill their workers’ spiritual needs. It is documented that WS affects performance, commitment and job satisfaction positively (Geigle, 2012). Research has also demonstrated enhancement in conscientiousness, altruism, and ethical behavior, better career management and job involvement (Marques et al., 2005; Marschke et al., 2011). Also, it was reported that WS helped to reduce conflict, frustration, and false pride in an organizational set-up (Ashmos & Duchon, 2000; Attri, 2012). In his research paper on ‘Individual spirituality and Work place Spirituality’, Pawar, 2009, suggests that WS needs to be encouraged at the individual as well as the organizational levels. His research has documented some inputs for actions to be taken by the leadership and efforts required for the development of the organization in order to implement WS in organizations.

In their research, Petchsawanga and Duchon, 2012, provided empirical evidence of a significant, positive relationship between work output and spirituality. This validates the assumption that spirituality in the workplace positively affects organizational performance (Duchon & Plowman, 2005; Ajala, 2013). Overall organizational performance is enhanced because WS increases employee morale, fosters a climate of healthy competition leading to higher quality of output, organizational commitment and personal feeling of involvement and shared success.

Coping with Stress

A physical and psychological body response that occurs when one has to adapt to different changing situations at work, home and in social context is stress. Lazarus & Folkman, 1984, reported that, "Stressors are external objective events that have the potential to create negative outcomes for individuals". However, they argued that stress can take place only if the situation is perceived by the individual as unwanted or negative. Employees generally associate stress with amount of work, demands of the job which are conflicting in nature and work life balance (Mathis & Jackson, 2004).

'Coping with stress is the ability to cope with demands that are conflicting or stressful in nature by being in control of one's emotions. And 'Stress tolerance' is defined as 'the ability to withstand adverse events and stressful situations without 'falling apart' by actively and positively coping with stress' (Bar-On, 1997, p.17).

Over the years the main focus of the research has been to identify stressors (Colligan & Higgins, 2006), level of control (Spector, 1986), mechanisms (Nelson & Sutton, 1990) and styles of copings (Lazarus & Folkman, 1984), social support (House, 1981) and ways to effectively manage stress by the organizations and employees working for them (Kram & Hall, 1989).

It is documented that one of the methods of coping with stress adopted by employees is to practice meditation (Nalawade & Pradhan, 2016).

According to Bhatnagar, 2014, VM helps to reduce work and family related as well as overall stress due to social situations. It increased the productivity of the employees and was responsible for reducing their stress. Some of the state governments of India have introduced VM in various government services for its beneficial effects.

Szekeres and Wertheim, 2014, have reported that VM has effectively reduced subjective stress and on the other hand increased well-being, kindness and mindfulness. Madhu, 2007, also stated that VM was effective for stress management, enhancing empathy, compassion, altruism, better communication, and making employees more productive in the work place.

Interpersonal Relationships (IR)

IR is 'the ability to establish and maintain mutually satisfying relationships that are characterized by intimacy and by giving and receiving affection' (Bar-On, 1997 p.16).

According to psychologist Carl Rogers interpersonal relationship is the willing and authentic communication of experience, awareness, and behavior on the part of one individual, responsible for creating an equal and reciprocal communication from other party to create a mutually satisfying relationship between both the parties leading to better communication and understanding of psychological functioning and adjustment for both of them.

IR is not static but is dynamic in nature. Meditative practices help the individual to develop qualities like compassion, empathy and also the qualities like trust and closeness that have a bearing over interpersonal behavior (Walsh, 1999), and an improvement in the ability to perceive interpersonal happenings which are stressful in nature as challenges (Kabat-Zinn, 1996). This may be due to developing the capacity to observe thought and emotion as it is rather than reacting to them in an impulsive and destructive manner. Meditation also enhances the ability to handle socially conflicting situations by not reacting but responding adaptively (Fry, 2003). The higher level of mindfulness indicates better relationship satisfaction (Barnes et al., 2007; Wachs and Cordova, 2007) and emotional wellbeing (Weinstein et al., 2009).

The generated higher self-control may help people to avoid behaving impulsively in terms of not saying hurtful things or reacting angrily and behaving aggressively and thus facilitate healthy interactions (Goenka, 2001). This may foster the capacity to forgive others more readily by being able to ignore interpersonal slights (Gopalkrishna, 2013; Good et al., 2016).

Vipassana Meditation

Gautama Buddha rediscovered and introduced Vipassana meditation or insight meditation 2500 years ago for the benefit of one and all. It is a choice-less observation, as a spectator, of what is happening inside your own body in the form of sensations, moment by moment. Vipassana is defined as to see the things as they are, again and again, in a special way (Goenka, 1980).

Vipassana is also called as "insight" meditation, because it brings insight into the functioning of the human psyche. It helps to bring the attention to the physical and mental phenomenon as they are happening. This leads to a systematic observation of sensory inputs of all the occurring phenomena and realization of their transitory and impermanent nature. This insight form of the practice helps us to understand the futile attachment to 'I' and liberates us from suffering by facilitating sustainable intra-psychic change (Nanamoli, 1976).

It is the practice of a "clear and single-minded awareness of what actually happens to us and in us, at the successive moments of perception" (Nyanaponika, 1973, p.30). This choice less observation paves the way to observe and attend to all stimuli equally without any preference for any one of them. It helps the practitioner to develop non-judgment, and come out of interpretations, preferences and censorship of selection.

Vipassana enables us to reach into the unconscious mind and experience the sensations as a spectator without reacting to them thus allowing them to pass without incident, ridding the mind of negative thoughts and memories. Due to this, one's mental patterns or processes no longer have control over his/her personality and behavior. This helps the individual, slowly but surely, come out of one's uncontrolled and unaware psychic phenomenon, as the change happens at the experiential level (Nyanaponika, 1973).

In this manner a slow, cumulative social change can be brought about by practicing VM, as individuals start building their lives around new sources of well-being. There is a sense of aliveness that is marked by a willingness to invest in the personal and real self ardently (Fleischman, 1991).

People, who practice VM realize that they have become better human beings. This happens irrespective of their religion or social standing and therefore this is a non-sectarian practice recommended for one and all (Goenka, 1991). If leading figures in different fields of society, understand the impact of this technique in generating change and use their position and preferences wisely, well-being and harmony in Indian society as well as elsewhere in the world can be improved drastically (Hetherington, 2003).

Vipassana meditation is encouraged in many private and public organizations like Mahindra and Mahindra, Apple Computers, Google, Toshniwal Instrumentations, Speed Engineers and Goldman Sachs., as well as in the government sector.

It is documented that VM practice facilitated consensus decisions, team spirit and self- motivation in the workforce along with an increase in group efficiency and profits (Shah, 1994). Also, it was reported that there was an improvement in mental health and interpersonal relations. Gupta, 1997, recorded that VM helped to increase harmony and industrial productivity as well as reduce labor unrest and occurrence of strikes. Tolerance and harmony of the employees increased and their anger was reduced.
Joshi, 1994, reported a decrease in hatred, short-temperedness, fatigue, jealousy, negativity, and confrontation because of ego and feelings of guilt. Parihar, 2004, shed light on the impact of Vipassana in generating more positivity in the personal and professional lives of government officials.

Agrawal and Bedi, 2002, documented that there was an improvement in the interpersonal relationships of the Delhi Police Trainees after practicing VM. Khurana & Dhar, 2002, reported reduction in criminal propensity and subjective wellbeing of inmates of Tihar Jail. Macdonald, 2003, documented that, it gives us strength to improve and serve our society and capacity to face competitiveness, crowded environments and injustices of life. The study by Banerjee, 2012, regarding business challenges showed that meditator employees are better composed, and focused. Avey et al., 2008, have recorded that mindful employees are more optimistic, resilient and have a positive attitude during organizational change. Also, practicing VM increased effectiveness of managers on professional as well as personal front (Kumar, 2012). It effectively reduced stress of the employees and helped to increase their productivity (Bhatnagar, 2014).

Kabat-Zinn, (1982, 1990), a pioneer in show casing innumerable benefits of mindfulness meditation in diversified areas like stress reduction, interpersonal relationships, physical and mental health in non-clinical as well as clinical populations and in psychiatric patients, firmly believes that by practicing mindfulness one is better equipped to face stressful situations by communicating with others with more confidence and understanding, without reacting (Kabat-Zinn, 1996). Same view is voiced by Atkins and Parker, 2012, in case of employees. They documented that employees practicing mindfulness exhibited ‘compassionate organizational behaviour’ by which they demonstrated more co-operation, support and trust and were more helpful. Also they were less reactive and more conscious of what was happening around them which helped them to be more compassionate.

The literature review of the research conducted on the four constructs indicates positive results in them when meditation techniques are used as an intervention. At the same time, literature review indicated that practicing VM brings immense benefits to the practitioner. Combining all these factors, a comprehensive and relevant questionnaire based on the constructs was designed for the study undertaken.

Objectives of the Study

1. There is an effect of Vipassana Meditation on employees' behavior measured with reference to the constructs defined earlier.
2. There is an effect of Vipassana Meditation on employees' personality measured with reference to the constructs defined earlier.

Methodology and Research Design

Study Context & Sample

For this study, the research design used was After-Only with Control Design (Kothari & Garg, 2014). In order to empirically test the research hypothesis, a questionnaire related to the behavior and personality of employees was designed. The instrument also had a section to collect demographic details of respondents.

Sample

The data was collected from employees of various organizations who enrolled at Bangalore Vipassana Meditation Centre, South India, for a 10-day residential Vipassana course. The sampling technique used for collecting the data was judgement sampling. It was important to select subjects who had completed at least 3 VM courses and such subjects were difficult to locate and not very common in the population. The selection criteria ensured that the subjects were regular practitioners of VM and had adopted it as a way of life. The instrument was administered for data collection to the following two groups of employees, namely,

1. non-meditators (control group) – employees coming to a VM course for the first time
2. meditators (experimental group) – employees who are practitioners of VM and have already completed at least three 10-day Vipassana courses.

Employees attending the course came from different cross-sections of society. Participation in the study was voluntary. In the questionnaire, no personal details were requested and in fact there was an explicit declaration that the data collected would be used only for research purposes. Clear instructions regarding filling up the questionnaire was given. Participants had sufficient time (~5 hours) to complete the questionnaire. Completed questionnaires were collected back prior to the start of the course (Pradhan et al., 2016).

For final analysis a total of 220 samples each were collected from non-meditator and meditator groups after filtering out incomplete responses.

Scale Development

A detailed review of literature was conducted on the four constructs described earlier. In all, 70 items covering all the aspects of the constructs found out were selected. We focused on areas such as interpersonal skills, empathy, facing adversity, self-awareness, emotional stability and a few others. Items were rated on a 5-point Likert-scale, anchored from 1 'never or rarely true' to 5 'often or always true'. This questionnaire was pilot tested on a sample size of 150 respondents. Based on the analysis of pilot data by Exploratory Factor Analysis (EFA) and by deleting similar items and items with low item-total correlation scores, a questionnaire comprising of 46 items was formed. Items with factor loadings > .5

were retained after the pilot study.

To this end, the instrument comprising of these 46 items (see Appendix I) was administered to 396 respondents from zero group for fine tuning the questionnaire further. After performing an Exploratory Factor Analysis for dimension reduction the instrument was reduced to 22 items. This questionnaire was administered to both the groups and 220 samples were collected for each group. This final instrument is reproduced in Appendix II.

	Non-Meditators	Meditators
Gender - Female	41.8%	39.5%
- Male	58.2%	60.5%
Average Group Age	38.60 Years	40.95 Years
Educ. Level - Grads	36.8%	36.4%
-Post Grads	48.6%	46.8%

Results and Analysis

Demographic composition of the two groups is shown in table 1 below. It can be seen that the two groups were demographically similar.
After eliminating items with lower values of item-total correlations, the data collected for non-meditator group was subjected to Maximum Likelihood analysis with Direct Oblimin rotation. From the Scree test indication and Kaiser's eigenvalue criteria total 5 factors were extracted as they had eigenvalues >1.

The Exploratory Factor Analysis results indicate that the KMO value obtained is equal to 0.851 which is well above the acceptable level. The data was also tested for reliability, and the Cronbach's Alpha value is = 0.856.

These factors were further subjected to Confirmatory Factor Analysis (CFA) using R-Programming's Lavaan Module, which

Goodness of Fit Measures obtained for CFA

Number of observations	220
Estimator	ML
Minimum Function Test Statistic	336.492
Degrees of freedom	199
P-value (Chi-square)	0.000
Comparative Fit Index (CFI)	0.848
Tucker Lewis Index (TLI)	0.847
Root Mean Square Error of Approximation:	
RMSEA	0.056
Standardized Root Mean Square Residual:	
SRMR	0.067

showed the model fit for the 5 factors for both the groups.
When the data from the experimental

Factors - Group	N	Mean	Std. Dev.
Interpersonal Skill – Non-Meditators	220	22.42	3.42
Interpersonal Skill - Meditators	220	23.41	3.02
Equanimity – Non-Meditators	220	12.80	2.75
Equanimity – Meditators	220	14.82	2.35
Self-Awareness – Non-Meditators	220	13.87	3.00
Self-Awareness - Meditators	220	16.23	2.40
Empathy – Non-Meditators	220	18.81	3.02
Empathy – Meditators	220	19.84	2.74
Self Confidence – Non-Meditators	220	12.03	2.00
Self Confidence - Meditators	220	12.12	1.68

Table 2. Mean Scores for the 5 Factors

group was subjected to this model test, overall model fit was obtained for 5 factors for both the groups. The resultant 5 factors and their factor scores for both the groups are as shown in Table 2.

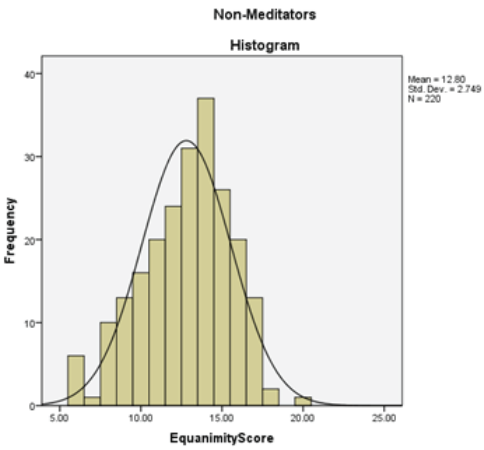
The five factors identified were composed of items like

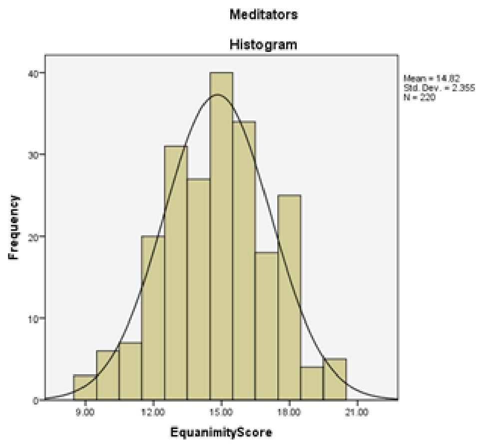
1. Interpersonal Relationships – “I am able to communicate clearly with people around me”
2. Equanimity – “I feel a sense of harmony and balance in my life”
3. Self Awareness – “I look for ways to relax when I am stressed”
4. Empathy – “I am able to understand and appreciate someone else’s uniqueness”
5. Self Confidence – “I like to challenge myself in a healthy and positive way”

In case of meditators group the statistical mean scores showed higher values for all the five factors than the non-meditator group.

Further, the histograms were drawn for all the five factors for both the groups for comparative purposes. The accompanying histograms show the pictorial representation of the Equanimity score distribution for the non-meditator and meditator groups.

It is to be noted that apart from the differences in the score means there was a sharp difference in Standard Deviation of the two distributions, with the meditator group having a narrower distribution with a Std. Dev. of 2.35 vs 2.75 for the non-meditator group. This indicated the impact of VM on the meditator group.
The higher scores for meditator group in all the five factors indicated that meditation helped the employees to enhance their behavioural and personality characteristics. This also showed that they were able to cope better with stress and adverse situations, by remaining equanimous. Thus their tendency to react decreased. In addition to this their self-awareness and interpersonal skills improved and they indicated improvement in self-confidence as well as more empathetic behavior towards others.





t – test for Equality of Means					
	t	df	Sig (2 - tailed)	Mean Difference	Std. Error Difference
Interpersonal Skills Score	-3.916	438	.001	-.964	.308
Equanimity Score	-8.289	427.887	.001	-2.022	.244
Self Awareness Score	-9.125	418.250	.001	-2.383	.259
Empathy Score	-3.718	438	.001	-1.022	.274
Self Confidence Score	-.401	424.907	.624	-.058	.176

Table 3 Independent Samples t- Test

To validate the higher scores in meditator group the data was subjected to an Independent Sample t-test. The result of this test is shown in Table 3. Except for

Self confidence, for all the other four factors such as Interpersonal Skills, Equanimity, Self-Awareness, and Empathy the differences in the mean values are significant as 2-tailed Sig is < .05 for all of them.

This confirms the validity of alternative hypothesis and rejection of null hypothesis. Moreover, the t-values are negative. Therefore meditation intervention has a positive impact on the personality and behavior of the employees.

Discussion

The independent sample t-test validated our alternative research objective and this self-report instrument was able to capture relevant information regarding behaviour and personality of the employees.

From Table 2 it can be seen that the difference in mean was highest for the Equanimity and Self-awareness factors, which is encouraging and also it validates the belief that Vipassana meditation makes the person look at different life situations with more awareness, by remaining equanimious and without reacting to the situations (Goenka, 1991).

Further, it is encouraging that even though the developed instrument gathered responses to everyday life situations it was able to measure the impact of Vipassana meditation on the behaviour and personality of employees.

Table 2 also indicates that the self-confidence factor showed a much smaller difference in the mean values for the non-meditator and meditator groups. This is probably because the factor was composed of a lesser number of items as compared to the other factors which contained more number of items.

Limitations

1. The study is conducted by using a self-report instrument.
2. A bigger sample size might help to indicate better differences in the mean factor scores, especially in the self-confidence factor.

Future Studies

1 – As the degree of effectiveness of VM could be subjective it is suggested that a detailed study over a larger time frame by using 'Before- and- After' research design be conducted.

2 - More such studies need to be undertaken to create awareness about the beneficial aspects of VM in all areas of life.

Conclusion

As validated in this research and in agreement with available literature, experience in meditation strengthens and enhances behavior and personality. Proving the research objective, the results suggest that VM enhances positive qualities like interpersonal skills, empathy, self-confidence, and self-awareness, equanimity in meditators. The employees who practice it are benefited, paving the way for a richer, fuller and satisfying life by being able to manage different domains of life like interpersonal relations at work and in family, stressful adverse situations, in a better and balanced manner. Practicing VM as a way of life will benefit the employees as well as one and all immensely. As employees are the backbone of any organization, as they flourish, the organizations will also flourish with them and more harmony, better performance and focus will make the organizations commercially more profitable and at the same time an ideal place to work for.

Acknowledgement

The authors are thankful to Symbiosis International University (SIU), Lavale, Mulshi Taluka, Pune, Maharashtra 412115, India, for giving them an opportunity to pursue this research.

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BMS Scale Ddevelopment
Appendix – 1

Scale of 46 Items

Listed below is a series of statements that reflect a range of behaviors and experiences. Please read each statement and evaluate your agreement or disagreement using the 1–5 scale shown below. Please fill in the blank against each statement with the numeral that best applies to you during the last month.

1 – Never or very rarely true4- Often true
2 – Not often true

3 – Sometimes true, sometime not true
4 – Often true
5 – Very often or always true

1. When faced with an issue or a problem I usually find a solution.
2. I talk to friends or family members when I am dealing with a stressful situation.
3. When I ask for help I generally receive it.
4. I am uncomfortable sharing personal information and my experiences with other people.
5. In times of conflict, I clearly communicate ways to resolve our differences.
6. It is easy for me to stay focused under pressure.
7. I feel a sense of harmony and balance in

my life.
8. When I need to get work done I avoid procrastinating or daydreaming.
9. I am open to new ideas and new information.
10. People confide in me easily.
11. I wonder if my work contributes to the social good of the community.
12. I am able to communicate clearly with people around me.
13. In stressful situations I am usually the one comforting other people.
14. When faced with a difficult or stressful task I deal with it by breaking it up into smaller steps.
15. The organization I work for takes care of employee welfare and convenience.
16. I appreciate others and compliment them when they do something well.
17. When interacting with others I consider their feelings and expectations
18. When I am under pressure I try not to take my frustrations out on other people
19. I understand why people react the way they do.
20. I am able to understand and appreciate someone else's uniqueness.
21. When I am stressed out I over eat and indulge in unhealthy fast food.
22. When I try something new I am confident that I will do well.
23. I look forward to going to work.
24. When necessary I express disagreement in a relationship.
25. In social situations I create an atmosphere of cordiality and harmony.
26. When faced with disagreement I find it difficult to keep my emotions in check.
27. My colleagues and superiors respect my contributions at work.
28. I look for ways to relax when I am stressed.
29. I am aware of my emotions as I experience them.
30. Negative feedback about my behavior hurts and upsets me
31. At my work place I feel part of a community
32. My spirituality gives me the strength to resolve problems at work.
33. My friends often come to me for help with their difficulties.
34. Sometimes my feelings overwhelm me.
35. My colleagues and supervisors consult me before making work-related changes.
36. I listen to others and offer my help and support.
37. I am able to express my views honestly and thoughtfully.
38. It is difficult for me to see things from someone else's perspective.
39. I rarely worry about work or life in general.
40. I set aside some time for quiet reflection every day.
41. I admire people who admit when they are wrong.
42. I like to challenge myself in a healthy and positive way.
43. Observing my breath helps me to calm down my mind.
44. I believe I am responsible for my own happiness.
45. My family understands when I have to take risks and supports my decisions.
46. I am good at socializing and mixing with different kinds of people.

Behavioral Measure Scale
Appendix - 2

Scale of 22 Items:

Listed below is a series of statements that reflect a range of behaviors and experiences. Please read each statement and evaluate your agreement or disagreement using the 1–5 scale shown below. Please fill in the blank against each statement with the numeral that best applies to you during the last month.

1 – Never or very rarely true
2 – Not often true

3 – Sometimes true, sometime not true
4 - Often true
5 – Very often or always true

1. When faced with an issue or a problem I usually find a solution.
2. It is easy for me to stay focused under pressure.
3. I feel a sense of harmony and balance in my life.
4. I am open to new ideas and new information.
5. I am able to communicate clearly with people around me.
6. In stressful situations I am usually the one comforting other people.
7. When faced with a difficult or stressful task I deal with it by breaking it up into smaller steps.
8. I appreciate others and compliment them when they do something well.
9. When interacting with others I consider their feelings and expectations
10. When I am under pressure I try not to take my frustrations out on other people
11. I understand why people react the way they do.
12. I am able to understand and appreciate someone else's uniqueness.
13. When I try something new I am confident that I will do well.
14. In social situations I create an atmosphere of cordiality and harmony.
15. I look for ways to relax when I am stressed.
16. My spirituality gives me the strength to resolve problems at work.
17. I listen to others and offer my help and support.
18. I am able to express my views honestly and thoughtfully.
19. I set aside some time for quiet reflection every day.
20. I like to challenge myself in a healthy and positive way.
21. Observing my breath helps me to calm down my mind.
22. I am good at socializing and mixing with different kinds of people

Mrs. Seema Pradhan
Research Scholar
Symbiosis International University, (SIU),
Lavale, Mulshi Taluka, Pune, Maharashtra
412115, India.
Consultant Psychologist and Psychotherapist,
Fortis Hospitals, Bangalore
smprdhn@gmail.com

Dr. Ajith Kumr V. V.
Research Guide
Assistant Professor
Skyline University College
University city of Sharjah
Sharjah, United Arab Emirates
ajithkumarvv@gmail.com

SEXUAL HARASSMENT IN NIGERIAN DEPOSIT MONEY BANKS: THE INFLUENCE OF AGE, EDUCATION AND JOB TENURE

Shukurat Moronke Bello

Abstract

To develop effective sexual harassment policies in Nigerian banks, the current study examines the perceived effect of employees' age, educational levels, and job tenure on three dimensions of sexual harassment – gender harassment, unwanted sexual attention and sexual coercion. The participants consist of 500 employees from fourteen deposit money banks in Nigeria. A self-administered structured questionnaire adapted from the Sexual Experience Questionnaire was used for data collection. One way ANOVA was used to test the three hypotheses formulated. The study concludes that older, more educated and longer-tenured employees of deposit money banks Nigeria did not perceive sexual harassment different from younger, less educated and shorter-tenured employees. The study therefore concludes that misunderstanding of the clues resulting in sexual harassment cases may not likely arise among deposit money bank employees in Nigeria.

Keywords: *Age, Education, Job Tenure, Sexual Harassment, Sexual Coercion, Unwanted Sexual Attention*

1. Introduction

Worldwide, sexual harassment has generated a lot of debates in academic journals, in the media and the workplace (BBC News Online, 2006; Luthar & Pastille, 2000); and is considered to be one of the prevailing unethical behaviours in Nigerian organisations (Adenugba, & Ilupeju, 2012; Alooma & Atadiose, 2014; Hersch, 2015; Nauman & Abbasi, 2014; Ogechukwu, 2013; Taiwo et al., 2014). Sexual harassment is a form of discrimination that interferes with the victim's career (Equal Employment Opportunity Commission, 2006). However, there is no Federal law in Nigeria that has explicitly penalises workplace sexual harassment (Hersch, 2015; Ladebo, 2003). Organisations and members view sexual harassment as an employer-employee problem, which should be resolved between the parties concerned (Ladebo, 2003).

In the Nigerian financial industry, especially in the banking institutions, so many cases of sexual harassment has been recognized (Bangudu, 2009; Nigerian Best Forum, 2013). Banks employees' attempt to meet the goals and objectives of the banks goes through a lot of stress and challenges (Alooma & Atadiose, 2014). A lot of employees have been sexually assaulted, raped and killed in the bid to achieve the targets, and most have lost their jobs because of the difficulty in achieving such targets (Ogechukwu, 2013). Thus, most victims of sexual harassment in Nigeria are often scared to report due to cultural and customary practices (Fapohunda, 2014).

Questionable integrity in Nigerian banks constitute a major hindrance to and tend to have a vested interest in the inefficiency of employees, especially the marketing executives, this not only affects individual performance but also the organisational performance (Uduji, 2014). Hence, the issue of sexual harassment is a great test for effective human resource management and management of unethical behaviours of the banking profession in Nigeria. As observed by Fapohunda (2104) and Oluade (2001) sexual harassment is most prevalent among Deposit Money Banks (DMBs) in Nigeria.

Indeed, workplace sexual harassment is as an important topic for research which is purely not an objective phenomenon, but based on individual perception of another behaviour and may be affected by a number of factors that make up of a structural context (York, 1989). One factor related to reporting sexual harassment is perception of sexual harassment - the psychological process of naming an experience as sexual harassment. Perception varies according to individuals and individuals are unique. What one person defines as sexual harassment, another person may not, and thus to determine whether an incident is sexual harassment or not, it is influenced by the perception of the individual on the matter (Kamal & Asnarulkhadi, 2011; Li & Lee-Wong, 2005). Under similar circumstances, two individuals might interpret the same behaviour totally differently. Employee's levels of behaviour differ because of personal history, varied cultural heritage and life experience. Understanding factors that affect individual varying perception of sexuality in the workplace would better predict and deal with negative individual and organizational consequences resulting from sexual harassment (Sorenso, et al., 1998).

Researchers suggested demographic variables as factors that influence employees' perception of sexual harassment in the workplace (Gutek, 1993; Powell, 1983). Personal characteristics such as age and job experience are often used in the empirical literature to determine its influence on attitude and behavioral responses of employees. Also, the different level of employees' education can create ambiguity to the meaning of sexual harassment. Few academic researchers have explored sexual harassment in the Nigerian banking industry. This study addresses this gap in the literature by investigating population in Nigeria on workplace perception of sexual harassment issues. Therefore, this study empirically examines the possible influence of employees' demographic factors such as age, education level and job experience influence on three dimensions (gender harassment, sexual coercion, unwanted sexual attention) of sexual harassment.

2. Literature Review and Theoretical Framework

2.1 Sexual Harassment

The term 'sexual harassment' was not coined until 1970s (Farley, 1978). Sexual harassment gained legal recognition as a problem contributing to inequality in employment and educational opportunity in the mid-1970s. In response to this problem, the US Equal Employment Opportunity Commission (EEOC) established guidelines in 1980 that placed sexual harassment within the purview of unlawful discrimination of sex (Sorenso et al., 1998). The code of conduct of bankers in Nigeria stated that members, of either sex, shall not sexually or otherwise harass each other. Sexual harassment shall include, but not limited to situations where a member/employee uses or attempt to use his/her position to seek or obtain sexual gratification from one another who may succumb in fear of adverse consequences on his/her employment/business (Chattered Institutes of Bankers of Nigeria, 2014).

Previous studies have made some progress in the development of theories of sexual harassment. None of the theories in the behavioural science literature has demonstrated that any one "cause" is both necessary and sufficient; and how one defines sexual harassment will, of course, determine how apt a given theory will be. (Kamal, 1998; Sundaresh & Hemalatha, 2013). One of the recent theories that emphasized on both the antecedents and the consequences of sexual harassment in the workplace is the Illinois Model.

2.2 The Illinois Model

The Sexual Experiences Questionnaire (SEQ) developed by Fitzgerald et al. (1988) developed through literature reviews, focus groups, and consulting with subject matter experts have empirically identified three psychological dimensions of sexual harassment that persist across international boundaries: sexual coercion, gender harassment, and unwanted sexual attention.

Gender Harassment. Gender harassment refers to as sexually crude terminology or displays that aim to insult and reject women (Leskinen et al, 2010). Often used on the target to follow traditional sex stereotypes; male dominated, female subservient settings. This occurs when a superior or coworker harasses another employee based on gender and thus creates a hostile work environment.

Sexual Coercion. Gutek (1993) describe coercive sexual harassment as a relationship in which one party is in a position to review the work or influence the career of others and may constitute sexual harassment when that relationship gives undue access or advantage, restricts opportunities or create a hostile and unacceptable environment for others. Sexual harassment in some organisations is a contractual term either explicitly or implicitly where by job, promotion, or access to training opportunities or other benefits are granted (Sabitha, 2008).

Unwanted Sexual Attention. Unwanted sexual attention comprises of sex-related verbal and/or non-verbal acts that are qualified as unwelcome, offensive and unreciprocated (Gelfand et al., 2002). It refers to an unsolicited verbal comments, gestures, stares, and other ion-physical attention to another's sexuality and physical appearance. Unwanted sexual attention covers a huge range of behaviour from being touched without permission causing fear, alarm or distress, sexual name calling, harassment to rape and sexual assault. Unwanted sexual attention can happen to both male and female employees and can happen between people of the same and opposite sex.

2.3 Perceived Sexual harassment and Age

Age is one of the demographic factors that influence deviance behaviours in the workplace. Previous studies (Colarelli & Haaland, 2002; Merkin, 2012; Olapegba, 2004; Ramsaroop & Parumasur, 2007; Reese & Lindenberg, 2005) have shown the influence of age on sexual harassment perception. In contrast, O'Connel and Korabik (2000) found no relationship between sexual harassment and age. Based on the conflicting findings, this study proposes the following:

H1: Perception of older employees on gender harassment, sexual coercion and unwanted sexual attention would significantly different from that of employees who are younger.

2.4 Perceived Sexual harassment and level of Education

Education level is referred to as the academic credentials or degrees an individual has obtained (Ng & Feldman, 2009). Thus, education is expected to have a positive influence on perceived sexual harassment. Thus, this study proposes the following:

H2: Employees with higher levels of education would significantly perceive gender harassment, sexual coercion and unwanted sexual attention different than employees with a lower level of education.

2.5 Perceived Sexual Harassment and Job Tenure

The principle of classical conditioning

stated that individuals develop attitudes toward objects and situations in response to pleasant or unpleasant experiences they have had with those objects or situations. According to this principle, individuals having negative experiences with sexuality at work should be more likely to label sexual overtures at work as sexual harassment than individuals having no negative experiences. An employee that has longer tenure may perceive sexual harassment, different from those employees that are new to the job. Thus, the following hypothesis is proposed:

H3: Longer-tenure employees would significantly perceive gender harassment, sexual coercion and unwanted sexual attention different from that of short-tenure employees.

3. Methodology

3.1 Participants

The participants for this study are staff of fourteen (14) Deposit Money Banks in Nigeria comprises of both management and non-management staff in different job functions. Data was collected in 2016 following restructuring of the Nigerian banking sector.

3.2 Measures of Key Constructs

Age. The age of respondents was measured using an ordinal scale. Respondents were asked to indicate their ages using a range of options. The scale was measured by 1= 20 years or below, 2= 21 years to 30 years, 3=31 years to 40 years, 5= 51years and above.

Education level. This construct was measured with a self-reported education level using an ordinal variable-1 = SSCE or Equivalent, 2 = ND/NCE or Equivalent, 3= B.Sc. /B.A or Equivalent, 4=Postgraduate Degree. 5=Other Qualifications.

Job Tenure. Respondents were asked to indicate the number of years spent in the banking industry. An ordinal scale was used which ranges between less than 5 years; and 21 years and above. Each scale is assigned a number, 5 years and below=1, 6years-10 years=2, 11 years-15 years=3, 16 years to 20 years=4, 21 years and above=5.

Sexual Harassment Dimensions. The three dimensions (gender harassment, unwanted sexual attention, and sexual coercion) of sexual harassment were measured by the level of agreement of a number of statements as regards to how gender based harassment is perceived. Likert scale on a 5-points was used and each scale was assigned a number; strongly agree=5, agree=4, neither agree nor disagree=3, disagree=2 and strongly disagree=l.

3.3 Data Collection

This study adopts a survey research design. Specifically, a structured self-administered questionnaire was designed to collect data on the perception of bank employees on sexual harassment issues. This questionnaire comprises of 2 parts. The first part (A) of the questionnaire comprises the demographic information of the respondents. Part B measured respondents' perceptions of gender harassment, coercive sexual harassment and unwanted sexual attention respectively. These sets of questions were adapted from the Sexual Experiences Questionnaire developed by Fitzgerald et al. (1988). Prior to the administration of this instrument, a pilot study was conducted and the Cronbach alpha coefficient for three dimensions (gender harassment= 0.957, unwanted sexual attention= 0.941, sexual coercion= 0.952) show high reliability scores.

3.4 Response Rates

A total of 500 copies of questionnaire forms was administered to respondents, 366 (73.2%) were returned, out of the returned copies of the questionnaire, 91 were rendered unusable due to incomplete responses, leaving the total usable copies for 275.

3.5 Data Analysis

To establish the difference between the variables, one way ANOVA, F-test with unequal size was used to test the hypotheses. A cut-off point of $p < 0.05$ was considered to indicate whether the relationship between the factors is of statistical significance. The Statistical Package for Social Sciences (SPSS 23.0) was used to conduct the data analysis.

4. Results and Discussions

This study is centered on sexual harassment perception as influenced by employees' age, level of education and job tenure in the Nigerian deposit money banks. Findings from this study are discussed as follows:

4.1 Age and Perceived Sexual Harassment

Responses were obtained from respondents as regards the perceived influence of age on sexual harassment. Table 1 shows the age distribution of participants.

Table 1. Age of Respondents

Age (in years)	Frequency	Percentage
20 years or below	6	2.2
21 years to 30 years	128	46.5
31 years to 40 years	115	41.8
41 years to 50 years	26	9.5
Total	275	100

In Table 1, analysis revealed that 46.5% are between the age group of 21 to 30 years, 41.8% are age group 31-40 years, 9.5% are age group 41-50 years and 2.2% are age group of 20 years and below. The composition of age group revealed that most of the workforce is in their active working years. This is perhaps because Nigerian banks prefer to recruit young and active staff. Thus, the descriptive analysis in Table 2 shows the perceived influence of age on gender harassment, unwanted sexual attention and sexual coercion.

Table 2. Descriptive Analysis of Respondents' Age and Dimensions of Sexual Harassment

		N	Mean	Std. Deviation
GBH	20 years or below	6	8.6333	5.75419
	21 years to 30 years	128	9.5563	5.15553
	31 years to 40 years	115	8.5600	4.82284
	41 years to 50 years	26	8.2077	5.33051
	Total	275	8.9920	5.04798
USA	20 years or below	6	14.1190	10.30649
	21 years to 30 years	128	14.1607	7.81347
	31 years to 40 years	115	13.0311	7.31308
	41 years to 50 years	26	11.2527	8.33827
	Total	275	13.4125	7.72062
SEC	20 years or below	6	9.7333	8.20601
	21 years to 30 years	128	9.6141	5.97608
	31 years to 40 years	115	7.9009	5.15435
	41 years to 50 years	26	7.6923	5.78916
	Total	275	8.7185	5.71588

The results in Table 2, the perceived sexual harassment is highest among employees of ages 21 – 30 years as these employees scored the highest mean scores for two of the dimensions- gender harassment (M=9.5563) and unwanted sexual attention (M= 14.1607) whereas, the perception of sexual coercion (M=9.7333) is shown to be highest among employees of 20 years or below.

Table 3. One-Way ANOVA Of Perceived Sexual Harassment On Age Analysis

		Sum of Squares	Df	Mean Square	F	Sig.
GBH	Between Groups	78.980	3	26.327	1.034	.378
	Within Groups	6903.123	271	25.473		
	Total	6982.102	274			
USA	Between Groups	212.663	3	70.888	1.192	.313
	Within Groups	16119.939	271	59.483		
	Total	16332.602	274			
SEC	Between Groups	213.099	3	71.033	2.203	.088
	Within Groups	8738.836	271	32.247		
	Total	8951.935	274			

To statistically test the first hypothesis (Table 3), results show no significant difference in all the dimensions of sexual harassment as regards to employees' age.

Therefore, the first hypothesis is rejected. This result is similar to O'Connel & Korabik, (2000) that found no influence of employees' age on perceptions of sexual harassment.

4.2 Education and Perceived Sexual Harassment

Responses were obtained from respondents as regards the perceived influence of education on sexual harassment. Table 4 shows the level of education of participants.

Table 4. Respondents' Level of Education

Educational Levels	Frequeny	Percent
ND/NCE or Equivalent	58	21.1
B.Sc./B.A or Equivalent	110	40.0
Postgraduate Degree	95	34.5
Others	12	4.4
Total	275	100.0

From the statistical analysis in Table 4, the respondents' level of education revealed that 40% have B.Sc. /B. A or its equivalent qualifications. This result indicates that the majority of the respondents are highly educated with educational qualification of first degree and above. Thus, the descriptive analysis in Table 5 shows the perceived influence of education on gender harassment, unwanted sexual attention and sexual coercion.

Table 5. Descriptive Analysis of Respondents' Education Level and Dimension of Sexual Harassment

Dimensions	Education	N	Mean	Std.Deviation
GBH	ND/NCE or Equivalent	58	9.6862	5.45837
	B.Sc./B.A or Equivalent	110	8.7636	4.81581
	Postgraduate Degree	95	8.9053	5.10793
	Others	12	8.4167	4.90822
	Total	275	8.9920	5.04798
USA	ND/NCE or Equivalent	58	13.9163	7.04855
	B.Sc./B.A or Equivalent	110	13.6545	8.18873
	Postgraduate Degree	95	12.8195	7.73571
	Others	12	13.4524	6.82265
	Total	275	13.4125	7.72062
SEC	ND/NCE or Equivalent	58	9.7172	5.98815
	B.Sc./B.A or Equivalent	110	8.4345	5.48257
	Postgraduate Degree	95	8.3621	5.88993
	Others	12	9.3167	5.78931
	Total	275	8.7165	5.71588

The results in Table 5, employees with ND/NCE has the highest mean score for gender harassment (M=9.6862) and unwanted sexual attention (M=13.9163); whereas employees with other degrees has the highest mean score for sexual coercion (M=9.3167).

Table 6: One-way ANOVA of Perceived Sexual Harassment on Education Analysis

		Sum of Squares	Df	Mean Square	F	Sig.
GBH	Between Groups	38.375	3	12.792	.499	.683
	Within Groups	6943.728	271	25.623		
	Total	6982.102	274			
USA	Between Groups	54.583	3	18.194	.303	.823
	Within Groups	16278.019	271	60.066		
	Total	16332.602	274			
SEC	Between Groups	83.084	3	27.695	.846	.470
	Within Groups	8868.852	271	32.726		
	Total	8951.935	274			

To statistically test the second hypothesis (Table 6), results show no significant difference in all the dimensions of sexual harassment as regards to employees' level of education. Therefore, the second hypothesis is rejected. This result corroborates with prior researches (Merkin & Shah, 2014, Ramsaroop & Parumasur, 2007) that found no significant influence of education on employees' perception of sexual harassment.

3.3. Job Tenure and Perceived Sexual Harassment

Responses were also obtained from respondents as regards the perceived influence of Job Tenure on sexual harassment. Table 7 shows the participants' length of service in the banking industry.

Table 7. Respondents' Job Tenure

Job Tenure (in years)	Frequency	Percentage
5 years or below	142	51.6
6 years to 10 years	90	32.7
11 years to 15 years	32	11.6
16 years to 20 years	8	2.9
21 years or above	3	1.1
Total	275	100.0

Data was obtained on the length of service the respondents in the banking industry. The analysis shows that 51.6% of the respondents have spent 5 years or below in the banking industry, 32.7% spent between 6 and10 years, 11.6% spent 11-15 years and 1.1% spent 21 years or more. This indicates that most of the respondents are entry-level employees. Thus, the descriptive analysis in Table 8 shows the perceived influence of job tenure on gender harassment, unwanted sexual attention and sexual coercion.

Table 8. Descriptive Analysis of Respondents' Job Tenure and Dimensions of Sexual Harassment

Table 8 indicates that employees with length of service of 21 years and above

		N	Mean	Std. Deviation
GBH	5 years or below	142	8.8648	5.00528
	6 years to 10 years	90	9.0378	6.00632
	11 years to 15 years	32	8.3188	4.60372
	16 years to 20 years	8	11.9000	7.47032
	21 years or above	3	13.0667	5.70731
	Total	275	8.9920	5.04798
USA	5 years or below	142	13.1720	7.52099
	6 years to 10 years	90	13.6206	7.74354
	11 years to 15 years	32	12.4911	7.44733
	16 years to 20 years	8	17.5536	11.12254
	21 years or above	3	17.3333	10.30389
	Total	275	13.4125	7.72062
SEC	5 years or below	142	8.8239	5.77672
	6 years to 10 years	90	8.3000	5.39185
	11 years to 15 years	32	8.4887	5.80180
	16 years to 20 years	8	11.8250	7.97456
	21 years or above	3	10.6667	5.60833
	Total	275	8.7185	5.71588

have the highest mean score for gender harassment (M=13.0667); whereas employees with 16 to 2 0years of service has the highest mean score for unwanted sexual attention (M=17.5536) and sexual coercion (M=11.8250).

Table 9: One-Way ANOVA of Perceived Sexual Harassment on Tenure Analysis

		Sum of Squares	Df	Mean Square	F	Sig.
GBH	Between Groups	134.451	4	33.613	1.326	.261
	Within Groups	6847.651	270	25.362		
	Total	6982.102	274			
USA	Between Groups	222.586	4	55.646	.933	.445
	Within Groups	16110.017	270	59.667		
	Total	16332.602	274			
SEC	Between Groups	107.926	4	26.982	.824	.511
	Within Groups	8844.009	270	32.756		
	Total	8951.935	274			

To statistically test the third hypothesis (Table 9), results show no significant difference in all the dimensions of sexual harassment as regards to job tenure. Therefore, hypothesis three is rejected. Supporting this outcome, earlier studies (Adeyemi & Yahaya, 1993; Icenogle et al, 2002; Ramsaroop & Parumasur, 2007) reached similar conclusions that employees' job tenure does not have an influence on the perception of sexual harassment.

5. Conclusion

This study provides empirical evidence on the perceptions of sexual harassment by age, education and job tenure. The results of the study reflect that older, more-educated and longer-tenured employees in Nigerian deposit money bank employees do not perceive sexual harassment different from younger, less-educated and short-tenured employees. In designing appropriate policy and procedures on sexual harassment issues by the management of Nigerian deposit money banks, it is presumed that misunderstanding of the clues resulting in sexual harassment cases will be minimal as revealed by this study.

6.Limitations and Suggestions for Future Research

However, this study present some limitations. The study only focuses on employees of deposit money bank using a cross sectional survey. Future study can address this gap by including other categories of banks such as micro finance banks, specialized banks, etc. using longitudinal survey. Also, the data for this study was collected using convenience sampling method. Future researchers can focus on collecting data using random sampling and/or focus group discussions.

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Shukurat Moronke Bello, Ph.D.
Department of Business Administration and Entrepreneurship
Bayero University Kano, Nigeria
Smbello.bus@buk.edu.ng; 2348037222034

FORTHCOMING CONFERENCES

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40	Bali, Indonesia	2nd to 3rd August 2018	5th International Conference On Business and Banking (ICBB V)	http://icbb.perbanas.ac.id
41	Barcelona, Spain	18th to 19th August 2018	International Conference on Marketing Finance, HR and Social Science	http://cies.education/conferences/barcelona2018-august-event/

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44	Singapore	3rd to 4th	International conference on	http://research-cluster.com/upcoming-events/singapore-september-
45	Dubai, United Arab Emirates	24th to 25th September 2018	Third International Conference on Internet of Things and Cloud Computing 2018	http://iciotcc.com/
46	Lisbon, Portugal	25th to 28th September 2018	IISES 43rd International Academic Conference, Lisbon	http://iises.net/current-conferences/academic/43rd-international-academic-conference-lisbon
47	Colombo, Sri Lanka	23rd to 24th October 2018	Colombo International Conference on Social Science & Humanities (ICSSH), 23-24 October 2018, Sri Lanka	https://www.gahssr.org/colombo-international-conference-on-social-science-and-humanities-icssh-23-24-october-2018-sri-lanka-about-63
48	Prague, Czech Republic	24th to 26th October 2018	26th EBES Conference - Prague	http://www.ebesweb.org/Conferences/26th-EBES-Conference-Prague.aspx
49	Bali, Indonesia	27th to 28th November 2018	4th International Conference On Emerging Trends In Academic Research (ETAR - 2017)	http://globalilluminators.org/conferences/etar-2017-indonesia/
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Phone: +971 6 5441155
Fax: +971 6 5441166
Email: sbj@skylineuniversity.ac.ae;
amitabh@skylineuniversity.ac.ae
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