# Table of Contents

Intraday Volatility Smiles, Day of the Week Effect, and Risk Management at Borsa Istanbul Stock Exchange

A. Can Inci

Effects of Tax Simplification and Lower Tax Corruption on Tax Efficiency

Nihal Bayraktar

Impact of Transformational and Transactional Leadership Styles on Job Satisfaction: A Study of Agricultural Businesses in Erbil

Kofand Anwar

Which Type of Brand Posts Functions Best on Facebook Brand Pages of Credit Cards? An Examination of Miles Credit Cards’ Facebook Brand Pages in Turkey

Gülçin İpek Emeksiz

Evaluation and Investigation into the Potential Benefits of e-Procurement Adoption in Saudi Arabian SMEs

Ahmed Altayyar, John Beaumont-Kerridge

Evidence-Based Policy in Higher Education in Finland

Anniina Huohvanainen

The Effect of Career Management Practices on Employee Development and Organizational Commitment

Nevra Baker


Oskeol Gjoni

The Effect of Macroeconomic Variables on Share Investment and Shareholder’s Investment Behavior: A Study on the Bangladesh Share Market

Naheem Mahtab, Tanbeen Mahtab

Make-to-Order Manufacturing Performance in Malaysian SMEs

Shaladdin Muda, Mohd Hussin, Muhammad Abi Sofian Abdul Halim

Co-workers’ social undermining behaviour, Trust in Co-workers and employees’ work behaviours

L.D. Ong, A. Tay

Examining the Impact of Workforce Reduction on Surviving Employees in the Egyptian Organization

Deena Saleh
Through the Looking Glass: Emotional Abuse, Self-Blame and Their Relationship with Temperament and Depression in Adolescents

Castilho, P.
Marques, C.
Matos, A. P.
Arnarson, E.
Craighead, W. E.

Understanding Content Development on Social Networking Sites

Shari Shang
Ying-Chieh Chuang

A Comparative Analysis of Decision Making Style of CEOs in SMEs in Oman and India

Naveen Safia

Attitudes and Preferences toward Islamic Banking: A Comparison between Muslim and Non-Muslim Customers in UAE

Nayyer Samad

Understanding the Design Principles of Enterprise Integration System: A Balance between Control and Flexibility

Shari S.C. Shang
Hank H.H. Liu

Measuring Consumers’ Luxury Brand Perceptions of Apparels in an Emerging Market

Hatice Dogan Sudas
Ali Kara
Serap Cabuk

Assessing the National Credit Regulator’s Perception on the Effectiveness of the Debt Counsellors’ Practices in South Africa

KH Masilo

Pre-task Planning Time and EFL Learners’ Written Performance with a Focus on Gender

Morteza Abdi
Sonya Khoshmod

Students’ Perceptions on the Effectiveness of Using Edmodo in EFL Classes

Houda Salim Al-Ruheili
Asiya Abdallah Al-Saidi

Conceptual Framework of Integrated Sustainable Homestay in Malaysia

Aziz Amin
Yahaya Ibrahim
Hawa Husna
Mohd Shaladdin Muda

Alternative Punishments in Criminal Offences: Issues and Challenges in Shariah Courts in Malaysia

Jasri Jamal
Hasnizam Hasyim
Nor Aziah Awal
Mohd Azam Sharif

Proactive Intervention Techniques for Handling Emotional Intelligence during Teaching at Higher Education Levels ................................................................. 140

Sufiiana Khatoon

Insights into Turkish Students’ Self-Conceptualization in Different Social Communities via Kinetic Drawings ................................................................. 154

Iryna Sekret

The Chitty Malay Language ........................................................................... 155

Nurul Huda Binti Hamzah

Why Do People Give Wasta? An Exploratory Investigation into Informal Influence in the Arabian Gulf ................................................................. 156

Alexandre A. Bachkirov
Lutfiya Sulaiman Al Harrasi
Ghadeer Sulaiman Al Maawali
Safiya Ahmed Said Al Hadhrami
Buthaina Salim Al Salmi

Application of Concordances in ELT Classroom: Implications & Concerns ............ 157

Mahshad Tasnimi
Khaleel Bataineh

Tunisian Business Cycle Synchronization with the World Economy: The Dynamic Latent Factor Model ................................................................. 165

Houyem Sabta

A Review of Malaysia’s Private Sector Services Retirement and Pension System .......... 190

Kamal Halili Hassan
Fariza Ahmad
Rohani Abdul Rahim
Tengku Noor Azira Tengku Zainuddin
Rooshida Merican A R Merican

Ownership Structure, Innovation and Firm Performance: Evidence from Tunisia .......... 197

Ghazi Zouari
Rim Zouari-Hadiji

Analysis of the New Foreign Politics of Russia: Its Status and Role in the International Arena ......................................................................................... 220

Zhamilya Kaparova

The Effectiveness of Education Using the Health Belief Model in Preventing Osteoporosis among Girl Students ................................................................. 224

Hormoz Sanaei Nasab
Ali Akbar Karimi
Reza Tavakoli

Concepts of Man and Happiness in the Classical Philosophy ........................................ 225

Hojjatollah Raftari
Yadollah Maleki
The Use of Internet as a Marketing Tool: Insights from Bed and Breakfast Establishments in Bushbuckridge ................................................................. 235
    MM Lebambo
    EM Rankhumise
    R Shambare

The Woman Angle: A Feminist Reading of Ngugi’s Matigari ........................................ 236
    Ade Adejumo

Herzberg’s Two-Factor Theory of Motivation: Empirical Evidence from the Arabian Gulf .......................................................... 242
    Alexandre A. Bachkirov
    Awatif Said Al Awfi
    Fatma Tawfiq Al Hasni
    Amal Rashid Said Al Mamari

The Contemporary Ideological conflicts between Islam and the Western World ............ 243
    Tijani Abdulwahab

Iran, Political Islam, and Democracy ............................................................................. 255
    Mahdieh Aghazadeh
Intraday Volatility Smiles, Day of the Week Effect, and Risk Management at Borsa Istanbul Stock Exchange

A. Can Inci, Bryant University, United States of America

Abstract

Intraday volatility patterns throughout the trading week are examined at the Borsa Istanbul (BIST) stock exchange in Turkey. Using 5-minute intervals, accentuated volatility after the market open in the morning, afternoon, and before the market close are documented. Volatility patterns differ during each trading day. Accentuated volatility and day-of-the-week differences in trading behavior are examples of market inefficiency, the difficulty of market participants and market makers in interpreting the accumulated information, and in clearing the accumulated orders of traders. Heightened volatility is indicative of uncertain periods where prices fluctuate significantly. Risk management strategies can utilize this information by avoiding trading during these high volatile periods. Taking accentuated volatility patterns into account and avoiding these periods will help reduce unnecessary risk exposure and help with the performance of the investment portfolio. This is the first study that explores day-of-the-week effect from the volatility perspective in an emerging market, Turkey and provides useful hints for risk management.

JEL classification: G14; D40

Keywords: Market microstructure; Accentuated volatility; Day of the week effect; Market Efficiency; Emerging markets
Effects of Tax Simplification and Lower Tax Corruption on Tax Efficiency

Nihal Bayraktar, Penn State University-Harrisburg, United States of America

Abstract

Tax simplification has always been in the agenda of policymakers to increase the efficiency of the tax system and tax compliance burdens for taxpayers. Now, interestingly, there is also a thinking that less complex tax systems might even contribute to higher tax revenues. This makes it ever more important, in this era of high government budget deficits. Secondly, policymakers have been searching for ways of increasing tax revenues with the minimum negative distortions to their economies. One of the ways of accomplishing this aim too would be having less complex tax systems. In the literature, empirical studies, especially the ones using cross-country analysis, are considerably limited. The aim of this paper is the empirical investigation of the impact of tax simplification on the efficiency of tax systems in a cross-country setting. Simpler tax laws and administration contribute to more efficient administration with less discretion leading to greater efficiencies in tax collection. Lower corruption associated with simpler tax systems are also expected to yield higher revenues. Both these aspects taken together lead to higher efficiencies of tax systems.

The main statistical tools will be regression analyses in addition to graphical and tabular analyses. In the regression specification, tax efficiency will be a function tax simplification indicators and control variables. The control variables will be selected from macroeconomic, demographic, or institutional variables which can determine tax effort of countries. Possible control variables can be trade openness, growth, the size of shadow economy, the quality of governance and institutions, population, and macroeconomic stability. A panel dataset will be used in the paper. Around 100 developed and developing countries from different regions of the World, including Europe and Asia, will be included in the study. The dataset will cover the years from 2002 to 2012. Tax efficiency (tax effort) will be introduced using two alternative measures: a traditional regression approach and stochastic frontier analysis. Tax simplification will be measured by Time to Comply and Number of Payments from the Doing Business Indicators Database, and tax corruption will be generated from the Enterprise Surveys Database.

The paper will help us better understand the overall impact of tax simplification on taxes through the tax corruption mechanism. We expect that the outcomes of the proposed paper can have useful policy implications. The expected outcomes can place numerical values on the possible impact of tax simplification on effectiveness of tax collection systems.

Keywords: tax efficiency, tax policies, tax corruption, tax simplification
Impact of Transformational and Transactional Leadership Styles on Job Satisfaction: A Study of Agricultural Businesses in Erbil

Kofand Anwar, Ishik University, Iraq

Abstract

The main aim of this study is to investigate the impact of transformational leadership and transactional leadership styles on job satisfaction in agricultural businesses in Erbil. There are many studies in the field of leadership styles and its impact on job satisfaction in order to create better efficiency and effectiveness and to motivate and satisfy employees and lead to increase level of job satisfaction. The effective leaders are enablers that directly points to inspire employees. Many businesses are successful not just because of their business idea, but also because of their employees. This study was carried out at dairy product suppliers in Erbil. The quantitative method used to gather relevant information regarding to the impact of transactional leadership and transformational leadership styles on job satisfaction. The researcher gathered data for the study through distributing questionnaires as primary data. Secondary data needed for conducting research work will be collected from recent academic articles, books and previous studies related to the impact of transformational leadership, transactional leadership styles and job satisfaction. The sampling technique was a random sampling method, where all employees at dairy product suppliers had equal chances of being selected for the sample. The sample size was 112 units. Data analyzed through SPSS version 20. A multi regression analysis used to test research hypothesis. The findings of this study revealed that there is a positive impact of transformational leadership style on job satisfaction, accordingly the first research hypothesis supported. But there is negative impact of transactional leadership styles on job satisfaction, therefore second research hypothesis rejected. The limitation of this study was the data gathered from dairy product suppliers did not represent the whole population as sample size was smaller and results may be varied with bigger sample size.

Keywords: transformational leadership, transactional leadership, job satisfaction, agricultural businesses

Introduction

There are numerous studies in the field of leadership styles and its impact on job satisfaction in organizations in order to create better efficiency and effectiveness. Many scholars and educators tried to provide right definitions and stress their fundamental roles by referring to various OB concepts and theories into their activities within the internal and external environment. Organizational Behavior investigate, leadership styles based on their traits and behavioral characteristics, and help respond to economic pressures, manage diversity, improve employees skills, help balance work life , improve customers service and establish ethical behavior in the workplace. According to Robbins and Judge (2009), specifically OB focuses on how leaders can improve effectiveness, decrease staff turnover, increase organizational commitment behavior, increase job satisfaction, create a positive work environment and stimulate innovation. Moreover, OB provides a direction for leaders and especially for leaders to choose the right styles of leadership that may suit to organization’s norm and values in order to meet future mission statement targets (Robbins and Judge 2009). Therefore, it could be true to say that, it is a concept that examines the effects that an employee and group of employees and the organization structure have on behavior within the organization that match their targets in order to achieve an ethically, healthy work environment. Organizations are seeking for leaders with vision
and leaders with transformational leadership qualities and charisma to carry out the vision. Even though factual leadership effectiveness could be a result of showing the true behaviors at the right time, many researchers confirmed that individual have a moderately uniform perception of leader’s appearance (Robbins and Judge 2009).

Literature Review

Defining leadership

According to Robbins and Judge (2009) leadership refer to abilities and to the competences of an individual that can persuade other individuals and groups in order to accomplish an aim or set of targets. Thus, are the skills that a leadership shows to influence a group to achieve a vision or a stated set of targets. Furthermore, leadership is about coping with change and a way of creating a vision of the future and inspiring people (Robbins and Judge 2009). Moreover, as explained by Njan and Thomas (2010), for leadership success it is important to understand that, it is a social process and is vital to understand how people feel and according to James Scouller (2013) it involves providing a direction that will inspire employees to work willingly by establishing unity and effectiveness towards stated aims. It is true to state that, leadership effectiveness in the workplace depends on how people interact with each other in terms of achieving stated aims successfully, and for this purpose, effective leaders create value, by identifying those that best fit their circumstances Cameron, Quinn, Degraff and Thakor (2006). On the other hand, an effective leadership style aim to identify what the future should be and help to unite people with a vision and influence them to make it happen despite the difficulties (John Kotter, 2013). Moreover, the functional approach implies that, leadership occurs based on four critical processes: establish a mission, plan goals, maintain commitment, and adapt to changes (Parsons, Bales, and Shils, 1953) as cited by Raelin (2011).

Leadership and leadership style

According to Northouse, (2010) and Yukl (2005) defined leadership as an interaction process between the followers and the leaders where the leaders effort to inspire followers to attain a common objectives (as stated by Voon et al., 2011). Many academic researchers presented continuously different perspectives on leadership dimensions. Stogdill (1948) mentioned that the leadership style is a sort of technique and competence intended at understanding organizational aims and additionally have an impact on organizational activities. Furthermore, Fiedler (1969) explained that the leadership style indicates to a sort of relationship that somebody practices his/her rights and methods in order to make many individuals work together for a shared task (as stated by Fu-Jin, et al., and 2010). According to Podsakoff et al., (2000) skills of the leaders will have a positive impact on organizational commitment. Leadership styles and leaders influence the overall job satisfaction. Previous studies have proved leadership’s positive effect on the deployment OCB by followers. Pearce & Herbik (2004) and Ehrhart & Naumann (2004) showed the importance of leadership behaviors for OCB norms (As stated by Khan et al., 2013). According to Örgev (2013) defined leadership as an individual’s capability to increase follower’s emotion in order to attain certain goal or goals. It directs an effect on the relationship behavior between followers and leaders in a certain circumstances with the mutual purpose to achieve the organization goals. In general, researchers propose that effective leaders have to be able to set a vision, build trust and direct followers toward goal accomplishment.

Transformational leadership

According to Bass (1985) Transformational leaders motivate the followers guiding to the right direction, clarifying individual roles and motivating the followers with positive attitudes. According to Podsakoff et al. (2000) there is a direct link between transformational leader and the leader member exchange. Also Podsakoff et al. (1990) found the same between transformational leadership and OCB (As stated by Khan et al., 2013). Several studies have concentrated on distinguishing between transformational and transactional leaders for example, Ohio state studies, Fiedler’s model, and path
goal theory. Transformational leaderships concentrate on follower’s development, leaders who have influence on follower’s problem solving by viewing at old problems in new ways and leaders who inspire their followers with positive attitudes. Transactional leaders guide their followers by illustrating the tasks, duties and responsibilities toward certain goal (As stated by Robbins and Judge.2009).

**Transactional leadership**

According to Bass (2008) transactional leadership assist the followers to define tasks to each individual in order to be able to achieve organizational objectives. According to Cherry (2007), transactional leader establishes objective and targets, in order to certify the success they converse activities clearly, and bring into line the assets with the collaboration of employees to attain the objectives which eventually encourages the employees. Previous studies such as Bass et al. (2003) and Podsakoff et al. (2000) showed the evident of the positive relation between transactional leadership and employee’s attitudes and behaviors. Some current studies (Rubin et al., 2010; Walumbwa et al., 2008) also showed evident of the significant relationship between OCB and transactional leadership (As stated by Khan et al., 2013). Transactional and transformational leadership are not opposite approaches, they are complete each other at the same time they do not consider equally important (As stated by Robbins and Judge.2009).

**Job satisfaction**

According to Calvo-Salguero, et al., (2010) Job satisfaction is defined as an attitude related with an individuals’ degree of their dislike or like their current job. Hussain Khan,(2012) defined Job satisfaction as a consequences of various elements such as satisfaction, promotion, relationships among employees, pay and equal employment opportunity. Ali, (2009) defined Job satisfaction as the positive emotional feeling consequence from achieving what an individual desires or values from his or her current job. Sowmya and Panchanatham, (2011) defined job satisfaction as emotion or feeling that an employee has regarding current job. Also, they pointed out that many academic scholars tried to determine several job satisfaction components, assess relative significance for each job satisfaction components and investigate the influence of all these job satisfaction components on employee’s satisfaction and productivity. Job satisfaction is an attitude which is a consequence of outline and consistent of many precise likes and dislikes experiences with the job. A job satisfaction for an individual considers as a degree of satisfaction and it depends on the job. Job satisfaction is a vital pointer of how an individuals’ feel regarding of the job and defines how much they are satisfied with their job. The level of satisfaction of individuals linked with rise of organizational output. Job satisfaction of an individual considers an important factor is to the achievement of an organization. In every organization a high rate of individuals’ satisfaction is strongly correlated with a low level of employee turnover (Ghafoor, 2012). Therefore, keeping individuals happy and satisfied with their present job would be a leading priority for every organization. Human resource management practices attempt to allocate and assign the human capital in the great potential ways to attain long term organizational objectives, they offer penalty of advantages and benefits resulting increasing level of job satisfaction (Jeet and Nuzzafar, 2014).
Conceptual framework

![Research Model](image)

**Research hypotheses:**

H1: There is a positive impact of transformational leadership on job satisfaction in dairy product suppliers in Erbil.

H2: There is a positive impact of transformational leadership on job satisfaction in dairy product suppliers in Erbil.

**Research Methodology**

This research was carried out at the dairy product supplier company in Erbil. A quantitative method was used to gather relevant information regarding the impact of transformational and transactional leadership styles on job satisfaction in a dairy product supplier company. Research methodology describes the samples used, defines the measurements used in formulating the instrument, explains the data collection process, and clarifies the statistical method used to analyze the data.

**Design of the study**

The researcher used a questionnaire in order to collect data about the impact transformational and transactional leadership styles on job satisfaction in dairy product Supplier Company in Erbil. The questionnaire was composed of two sections. The first section consisted of demographic questions, starting with the respondent's age, gender, level of education. The second section of the questionnaire consisted of eleven questions regarding transformational leadership styles, eight questions regarding of transactional leadership styles and six questions regarding of job satisfaction.

**Procedures used for generating, collecting and evaluating data**

The researcher gathered data for the study through distributing questionnaires as primary data. The questionnaire is prepared and distributed to the employees at dairy product Supplier Company in Erbil. Secondary data is needed for conducting research work which is done by collecting it from recent academic articles, books and previous studies related to effect of transformational and transactional leadership styles on job satisfaction in a dairy product supplier company.

**Sampling size and target population**
A random sampling method was adopted to collect data, where all employees in a dairy product supplier company will have equal chances of being selected from the sample group. The population of the study was 189 units and the sample size was 112 units.

Instrument for measuring (scales)

The questionnaire is structured in the form of multiple choice questions. The participants were asked to rate how strongly they agree on each item on a five points Likert order scale. The questionnaire is designed and adapted from (Sadeghi and Pihie, 2012) and (Gill, et al., 2011).

Data analysis

Table 1: Reliability tests

<table>
<thead>
<tr>
<th>Factors</th>
<th>Cronbach’s Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational leadership</td>
<td>.843</td>
<td>9</td>
</tr>
<tr>
<td>Transactional leadership</td>
<td>.819</td>
<td>8</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>.811</td>
<td>6</td>
</tr>
</tbody>
</table>

Table (1) shows the reliability analysis for all factors, the researcher found out Cronbach's Alpha for transformational leadership style =.843 for nine items, which are greater than .6 this means that transformational leadership styles’ nine items were reliable for this study. The Cronbach's Alpha for the transactional leadership styles =.819 for eight items, which are greater than .6 this means that transactional leadership styles’ eight items were reliable for this study. The Cronbach's Alpha for the job satisfaction =.811 for six items, which are greater than .6 this means that job satisfaction’s six items were reliable for this study.

Table 2: Correlations

<table>
<thead>
<tr>
<th>Factors</th>
<th>Pearson Correlation</th>
<th>Transformational</th>
<th>Transactional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job satisfaction</td>
<td>Pearson Correlation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.666**</td>
<td>.622**</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>112</td>
<td>112</td>
</tr>
</tbody>
</table>

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

Table (2) shows the correlation between leadership styles’ factors as independent factor (transformational and transactional) and job satisfaction as dependent factor. The value of R for the cognitive transformational leadership styles =.666** which indicates that transformational leadership style is significantly correlated with job satisfaction. The value of R for the transactional leadership style =.622** which indicates that transactional leadership styles is significantly correlated with job satisfaction.

Table 3: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.701</td>
<td>.518</td>
<td>.492</td>
<td>.67034</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Transformational, Transactional

As seen in the table (3), the value of R square = .516 which indicates that 51% of variables have been explained.

Table 4: ANOVA
Table (4) shows the value of F for three independent factors and a dependent factor is 42.277 >1 which indicates there is a significant association between three independent factors and dependent factor.

### Table 5: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Regression</td>
<td>38.742</td>
<td>3</td>
<td>19.580</td>
<td>42.277</td>
</tr>
<tr>
<td>Residual</td>
<td>57.430</td>
<td>124</td>
<td>.463</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>116.171</td>
<td>127</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table (5) shows the coefficients analysis for this study. As seen in the above table the value B for transformational leadership styles = .743> 0.01, which supports the first research. The value B for transactional leadership styles = -.164<0.01, the second research hypothesis was rejected.

### Conclusions

Leadership help to understand behavior and the way the leader establishes to achieve a set target. Leadership traits and behavior theories have failed in explaining leadership effectiveness and have not guaranteed a leader’s success. The coefficients analysis for this study, the value B for transformational leadership styles = .743> 0.01, which supports the first research. The value B for transactional leadership styles = -.164<0.01, the second research hypothesis was rejected. Finally the researcher came to conclude that there is a positive impact of transformational leadership on Job satisfaction in agricultural business in Erbil and there is a negative impact of transformational leadership on Job satisfaction in agricultural business and particularly dairy product suppliers in Erbil.

The limitation of this study was the data gathered from dairy product suppliers did not represent the whole population as sample size is smaller and results may be varied with bigger sample size.

### References


Which Type of Brand Posts Functions Best on Facebook Brand Pages of Credit Cards? An Examination of Miles Credit Cards’ Facebook Brand Pages in Turkey

Gülçin İpek Emeksiz, Anadolu University, Turkey

Abstract

Apart from creating connections with friends, Facebook, the most popular social networking site, is also used by companies as a platform for corporate communication activities. By allowing two way communication between brands and consumers, Facebook helps companies to release their corporate news and get instant feedback from their customers through likes and comments. While companies promote their new products and services through Facebook and create brand awareness, consumers get a chance to know about special discounts and become involved in the campaigns offered by companies through becoming one of their Facebook fans.

Consumers who join Facebook brand fan pages become a part of a brand community with other people sharing the same interests and they show how much they are engaged with a brand by liking, sharing or commenting on brand posts. Brand posts containing different marketing strategies are comprised of images, videos, links and information about products and services, and the popularity of brand posts is evaluated through the number of likes and comments that they receive on Facebook.

The present research aimed to find out which type of brand posts create more customer engagement on Facebook brand fan pages of credit cards. Four brand post categories have been developed by Hong (2011): information, entertainment, promotional and social postings and were appraised in the research. Then customer engagement was evaluated by looking at the number of likes, comments and shares that the brand posts received. The types of multimedia that the brand posts contain, the time frame in which the brand posts are shared and the length of the brand post texts were also analyzed.

The research design of this study is a case study and the sample for the research consists of the Facebook brand pages of the “miles credit cards” in Turkey. The data was analyzed through the method of content analysis. The results provide valuable findings showing which type of brand post functions best on Facebook brand pages of the credit cards. The findings will shed light on marketers looking for ways to increase customer engagement through brand posts on Facebook.

Keywords: corporate communication, social media marketing, Facebook, brand posts, customer engagement
1. Introduction

With advancements in technology, the number of internet users is increasing every day. According to the statistics for 2014, there were 3 billion internet users worldwide and Turkey had more than 35 million of them (Internet Live Stats, 2015). Recent research, carried out by the Turkish Statistical Institute entitled Information and Communication Technology Usage in Households in Turkey, found that 60% of households in Turkey have access to the internet and 78% of the people with such access have already joined social networking sites (TUIK, 2014). Turkish people use the internet for a variety of purposes such as sending e-mail, doing research, reading news, discussing politics, playing games, sharing photos and videos, setting appointments, searching for products and services and doing shopping. But above all, they use the internet to get in touch with their friends and families through social networking sites.

The statistics generally indicate that Turkish people spend approximately two and a half hours on social media every day (Dijital Ajanslar, 2014). Turkish companies, seeing that people spend a good deal of time on the internet, especially in social networking sites, have realized that it is much quicker, easier and cheaper to reach a larger audience with social media tools compared to traditional media tools such as television and newspapers. Thus, they began to invest in various social media tools such as Facebook, Twitter, Youtube, Linkedin, Instagram and blogs. By using these tools, they strengthen their communication with their existing and potential customers in an interactive environment. For instance, on Facebook, companies build a brand community which is an online special community that brings together the admirers of a brand. A brand community is defined as a specialized, non-geographically bound community, based on a structured set of social relationships among admirers of a brand (Muniz and O’guinn, 2001, p. 412). Brand communities on Facebook which are also known as Facebook brand fan pages are the meeting points of many customers sharing the same interests and passion about brands. Thanks to these brand fan pages, companies can learn about their customer profiles, get feedback from their customers concerning their products and services and understand their customers’ actual needs. Facebook thus offers a great opportunity to companies for researching consumer behavior. Hence, companies do not need to spend a lot of money on marketing research by using traditional media tools. Instead, Facebook measurements segment people according to their age, gender, occupation, city and visit duration which can help companies to find out what their brands actually mean to their customers more easily.

From the perspective of consumers, having previous experiences with the brand, trusting in the brand and seeking the opportunity to participate in contest and promotions of the brand are the main reasons why consumers become a brand follower on Facebook brand fan pages (Pereria et al. 2014, p,699). Getting invitations from their Facebook friends is another factor that motivates consumers to join into Facebook brand fan pages. By participating in Facebook brand fan pages, consumers are involved in concrete discussions with other consumers and find a chance to reach company representatives. The number of credit card users in Turkey has reached massive numbers in the last few years and Turkey has nearly caught up with England, the lead country in Europe in the number of credit cards users. Credit card statistics for 2014 indicated that the number of credit cards users reached 54,3 million in Turkey while the number of credit card users in England stood at 56,4 million that same year (Bloomberg, 2014). Credit cards are a sector which is growing rapidly. Turkish banks are highly motivated develop strategies to draw the attention of their existing and potential customers in social media platforms such as Facebook and seek to discover which type of brand post creates more customer engagement. This research aims to answer this question by analyzing the Facebook brand fan pages of the banks that offers miles credit cards in Turkey. In the last few years, miles credit cards which have given people an opportunity to earn free miles from flights and shopping rank among the favorite services of banks and have managed to draw the attention of many consumers. These cards allow people to take advantage of many services such as free airport transportation and free lounge services at domestic and international airports. Furthermore, they offer people free flights to several destinations both inside and outside of Turkey with the earned miles. In addition, they allow people to enjoy discounts in numerous global and local brands and chic restaurants within Turkey. Thus, the
demand to these cards increases day by day. The number of these card owners in Turkey have already passed 2 million and have been continuing to increase with several campaigns (Airport Haber, 2012).

The present research also endeavoured to find out which types of multimedia that the brand posts contain, what time the brand posts are shared/posted and how long the brand post texts are on Facebook pages of miles credit cards in Turkey. This way, insights into how marketers of miles credit cards in Turkey manage their Facebook brand fan pages was gained.

2. Theoretical Background

2.1. Web 2.0 technology and social media

During the first years of the internet, the Web 1.0 technology only allowed users to read the content presented on the websites by companies. Web 1.0 technology was used by companies to convey basic information to consumers about their products and services, but there was no interaction between companies and consumers. Consumers consumed the information on the company websites by reading it but could not respond to it. On the other hand, Web 2.0 technology has been about the emergence of user generated content and the Web 2.0 technology enables every user having an internet connection to create content regardless of location and time. This way, consumers began to interact with companies by leaving comments on their websites, blogs, or social networking sites about their opinions and by getting responses back from company representatives. While this improved the customer-brand relationship considerably, there was one drawback for companies. Companies had started to share the control of their brand with consumers who express their opinions freely on the web. While social media offers many marketing advantages to companies such as a two-way communication with customers, it also poses some threats such as threads of negative electronic word of mouth. Thus, social media is a platform which needs to be managed with cautious strategies by companies.

Social media is defined as a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0 and that allow the creation and exchange of user-generated content (Kaplan and Haenlein, 2010, s. 61). Blogs, microblogs, social networking sites, forums, wikis, virtual worlds and podcasts are some of the Web 2.0 applications in social media. For instance, blogs are one of the important tools that companies use to share information about their corporate news and activities with their blog readers. Apart from personal blogs and theme blogs, blogs are mainly divided into four: 1) executive blogs, 2) corporate blogs, 3) product blogs and 4) employee blogs. Corporate blogs are used in order to introduce the corporate identities and corporate activities of the companies to their customers. Executive blogs and employee blogs are used to give insights into the corporate environment. Product blogs are utilized to introduce products that the companies release to the market. It is possible for companies to know how their services are perceived in the market by reading the comments left by consumers on product blogs. In return, company representatives can give answers to their customers’ requests by using blogs as a two-way street.

Another important tool that companies can use in social media is microblogs. Twitter is a famous microblog site which allows users to explain what they are thinking simply in 140 characters or less. Companies can share new developments regarding their products and services with short and striking messages via Twitter with their followers. Research analyzing the Twitter usage of the Fortune 50 companies found out that 85% of those firms use Twitter to distribute news, 30% use Twitter for marketing and promotions, 19% use Twitter for customer service and 11% use Twitter for human resources (Case and King, 2011, p. 99). Clearly Fortune 50 companies see Twitter as an instrument to release news, to build relationships with their customers and to hire new employees. Also, companies can search what is said about them by various Twitter users through hashtags. This way, they intervene when negative comments are left by unsatisfied consumers and can take action to protect their online reputation.

Social networking sites are defined as web-based services that allow individuals to create public or semi-public profiles within a system, to show a list of other users with whom they share a connection.
(Boyd and Ellison, 2008, p. 211) and to share the latest developments in their lives with their connections. Social networking sites consisting of features such as a personal profile, a friends list, a messenger, news feeds and photo albums help people sharing the same interests to connect with each other regardless of geographical boundaries. Among them, Facebook is the most popular in terms of the number of users. Facebook, the world’s leading social networking site, reached 890 million average users daily according to 2014 statistics (Facebook Newsroom, 2015) and Facebook Turkish Marketing Manager Fırat Dirik said that 94% of the online population in Turkey use Facebook actively (Kaytmaz, 2014). As people are highly active on Facebook in Turkey, it is a platform that excites Turkish marketers aiming to increase their companies’ performance in the market.

2.2 Facebook marketing and corporate communication on Facebook

By using Facebook brand fan pages as a marketing tool, companies can engage in brand building activities seven days a week and 24 hours a day. Facebook marketing is not limited to business hours and it is not interrupted by holidays. Companies can promote their new products and services, highlight their products’ different features, initiate viral marketing, reach larger audiences and increase brand awareness on Facebook. Moreover, companies can efficiently communicate with their existing and potential customers on Facebook without getting the help of big media companies. Therefore, they do not need to commit as large a big budget for traditional advertisements. Facebook helps companies to reduce their cost of communication as it helps them to connect with more people in a shorter period of time compared to face to face meetings, phone calls and e-mails (Luke, 2009, p.18). Also, Facebook campaigns prepared with the right techniques can make a high impact on consumers. For instance, Mavi Jeans, a global Turkish fashion brand designing Istanbul t-shirts, started a Facebook campaign in 2011. The Facebook campaign was about a design competition called “İstanbul’a Tasarla - Design Istanbul”. The Facebook campaign was conducted with such success that in three days 500 people participated in the competition and after two weeks the number of participants reached 1500 people (Güçdemir, 2012, s. 152). Also, more than 1 million people voted for the designs on Facebook and after the success of this campaign Mavi Jeans prepared another campaign named “Şehrini Tasarla - Design Your City” (Socialmedia.co, 2012). Such examples make it clear that Facebook campaigns can stimulate many people compared to traditional media tools and bring together the admirers of the brands and the companies in a short period of time.

In general, consumers engage in Facebook brand fan pages in order to show something about their preferences and tastes to their friends. Following brand fan pages on Facebook helps consumers to feel that they belong to a certain group. Consumers can also learn about the discounts offered by companies by tracking the alerts on Facebook brand fan pages. And before making a purchase decision of a certain product, consumers can learn detailed information about its features by putting questions to the Facebook communicators of brands. Recent research found out that consumers who perceive an intimate, personal relationship with a brand’s Facebook communicator are more likely to engage with that brand’s Facebook page (Tsai and Men, 2013, s. 84). If Facebook brand communicators handle the two-way communication between them and consumers well, this relationship helps consumers to build trust in companies and make them loyal customers. Facebook is a significant tool for corporate communication as it helps companies to convey their corporate identities, to make corporate brands visible, and to enable dialog between customers and companies. However, companies must ensure that they strictly follow privacy laws and that private information is not sold to or misused by third parties to the detriment of individuals (Ramsaran-Fowdar and Fowdar, 2013, p. 79). The violation of consumer privacy on Facebook brings a bad reputation to brands.

2.3 Electronic Word of Mouth on Facebook

Companies share control of their brands with their customers on Facebook because by reading the comments of other customers on Facebook brand fan pages, consumers can get an idea about a specific product or service before making a purchase. Consumers can discuss certain products or services with other consumers with its pros and cons on Facebook brand fan pages and can be informed about them quickly. One of the features of Facebook is that it allows electronic word of
mouth and marketing that “goes viral”. Electronic word of mouth, or e-WOM, is defined as any positive or negative statement made by potential, actual or former customers about a product or company which is made available to a multitude of people and institutions via the internet (Thurau et al., 2004, p.39). The start of positive e-WOM on Facebook leads to higher customer engagement on Facebook brand fan pages.

Negative electronic word of mouth is best managed carefully by companies on Facebook brand fan pages. When customers have a technical difficulty or a bad experience with a product or service, they may leave negative comments on Facebook brand fan pages. Recent research examining the communication between companies and their Facebook followers found out that customers not only request information about a company’s offering on Facebook, but also they report incidents and problems about products and services, and make complaints on Facebook fan pages of the brands (Valerio Urena et al. 2015, p. 117).

In order to avoid bringing harm to the online reputation of the companies, Facebook brand communicators should listen to the suggestions of their customers and come up with immediate solutions. Companies should be aware of the fact that customers tend to abandon brands and leave their Facebook brand fan pages if their complaints are ignored. If brands do not live up to the expectations of customers and if their advertisements turn out to be untrue, consumers quit the Facebook fan pages of the brands, as well (Fournier, 2014, s. 30). And it should not be forgotten by companies that crises in social media can spread very fast with the intervention of many people. An unsatisfied customer can lead to the loss of other customers. Complaints should therefore be handled in a short amount of time with the right strategies.

To sum up, Facebook can help companies to establish stronger connections with their customers by one to one contact and this way companies get to know their customers better. Being in touch with their customers can help companies to come up with new ideas for marketing strategies. If Facebook communicators of brands manage to have meaningful conversations with their customers on Facebook, they can change their customers’ attitude in favor of the brands where once there were only costly phone and retail site surveys. By receiving feedback from their customers, companies can learn about their position in the market compared to other firms or products. They can find about their online reputation, and they can design their future products and services with a much better quality to satisfy their customers.

To accomplish this, companies need some tactics in order to see customers engage Facebook brand fan pages continually. For this reason, companies share brand posts with different characteristics and try to draw the attention of their existing and potential customers. Before mentioning the different type of brand posts in the next section, it is useful to explain what “customer engagement” is as it is a fixed term in consumer relations which has been found to far surpass other matters of study and implementation in importance.

2.4. Customer Engagement

Customer engagement is a customer’s behavioural manifestations that have a brand or firm focus, resulting from motivational drivers (van Doorn et al., 2010, p. 254). Customer engagement is about satisfying needs and it is related to gaining various types of benefits such as practical, social, entertainment and economic (Gummerus et al., 2012, p. 860). For instance, while social benefits of joining into brand communities are showing something about one’s preferences and degree of socializing with other consumers, the economic benefits are participating in contests and learning about promotions. When customers like, comment or share the brand posts on Facebook brand fan pages, they show that they are engaged with the brand. The higher the number of likes, comments, and shares a brand post gets, the higher is the customer engagement. Moreover, when consumers like the posts of brands, then the posts will appear on consumers’ Facebook news feed which allow their friends to see the posts, as well. As brand posts will reach many people in this way, brand awareness automatically increases. When consumers comment on posts of brands their names and pictures are
seen beneath the posts and their comments are seen by every consumer that has liked the brands. In this way their feelings and opinions about the brands will be visible to many people which ignites communication among them. This paves the way for the start of electronic word of mouth, or e-WOM. If consumers start e-WOM, then customer engagement will be higher on Facebook brand fan pages, as well.

3. Methodology

3.1. Design of the Research

The design of this research is a case study. According to Yin, a case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident (Yin, 2009, p. 18). A case study is about the examination of a phenomenon, a person, or a document thoroughly (Kazak, 2001, p. 146) and the researcher gains insights by asking questions such as how and why. In this research, the contemporary phenomenon is the Facebook brand fan pages of miles credit cards in Turkey. However, it is not possible to generalize the results in case studies.

3.2. Hypotheses

Brand posts are significant instruments which enable brands to promote their new products, services, discounts and campaigns with the help of images, videos, texts and links on Facebook. Research analysing 70 global brands’ Facebook fan pages found that companies post brand posts an average of 24 times meaning that their consumers receive a message in their news feeds every day or two in median situations (Parsons, 2011, p.14). The content of brand posts are separated into four categories by Hong (2011): information, entertainment, promotion and social. In the present research, hypotheses are formed to be tested as to which type of brand posts creates more customer engagement.

Information postings aim to provide some kind of information to the user. It is used when a company shares official announcements or releases news about the company. Thus, they are considered as a formal communication to the customers.

**H1:** Informative postings might be more popular than non-informative postings on Facebook pages of miles credit cards in Turkey.

On the other hand, entertainment postings make sure that customers have a good time. These include games, quizzes, and fun videos about products and services. Thus, they are considered as an informal way of communication with the customers.

**H2:** Entertaining postings might be more popular than non-entertaining postings on Facebook pages of miles credit cards in Turkey.

Promotional postings present a contest, promotion, a discount coupon or a campaign code about the products and services to draw the attention of consumers and they direct consumers to get involved in these activities. Thus, they are directly related with the sales efforts of companies.

**H3:** Promotional postings might be more popular than non-promotional postings on Facebook pages of miles credit cards in Turkey.

Social postings encourage consumer participation by asking a question. With social postings, companies aim to receive feedback from consumers. Examples of this category include asking consumers for their opinion on a product or asking them how their day passed. Social postings aim to establish a long-term relationship with customers.
**H4:** Social postings might be more popular than non-social postings on Facebook pages of miles credit cards in Turkey.

3.3 The sample for the present research

The sample for this research was comprised of Facebook pages of miles credit cards in Turkey. The sample of this research consisted of four miles credit cards which were Miles and Smiles owned by Garanti Bank, Maximiles owned by İş Bankası, Wings Card owned by Akbank and Adios Card owned by YapıKredi Bank. Miles & More offered by Denizbank wasn’t included in this research because it doesn’t have a Turkish Facebook page. Miles & More is originally owned by Lufthansa and Lufthansa has a collaboration in Turkey with Denizbank. Also, Pegasus Card offered by HSBC in Turkey wasn’t included in this research because it doesn’t have a Facebook page either.

3.4 Data Collection and Method

The time frame for this analysis was limited to March 1 - 31, 2015. The data was gathered on April 6, 2015. The data was analyzed by content analysis through SPSS, a statistics program.

4. Findings

The research revealed that the postings which were used the most on Facebook pages of miles credit cards in Turkey are social postings. Out of the 94 postings that were analyzed 45 of them (47.9%) were social postings. Promotional postings almost matched the frequency of social postings. Out of the 94 postings that were analyzed 44 of them (46.8%) were promotional postings. This research thus indicates that marketers of miles credit cards use Facebook for those two main purposes. One of them is to strengthen their relationships with their customers (by using social postings) and the other is to promote their products and campaigns (by using promotional postings).

<table>
<thead>
<tr>
<th>Table 1: The frequency of brand post types</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
</tr>
<tr>
<td>Information</td>
</tr>
<tr>
<td>Social</td>
</tr>
<tr>
<td>Entertaining</td>
</tr>
<tr>
<td>Promotional</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

The marketers of miles credit cards seldom used entertaining and information postings. Out of the 94 postings that were analyzed only 4 of them (4.3%) were entertaining postings and only 1 of them (1.1%) was information postings. These findings indicate that marketers of miles credit cards do not use Facebook as a channel to disseminate corporate news. And they do not much involve informal communication with their customers by frequent use of entertaining postings.
When the brand post types and the number of likes are compared, it is seen that the highest density of likes is between 1 to 50 likes. Counting all of the brand post types, there were 67 likes between 1 to 50 likes. There were 13 likes between 50 to 100 likes. However, the number of likes diminished precipitously above 100 likes. This finding indicates that Facebook content of miles credit cards most often gets a number of likes between 1 to 50. However, customer engagement happens the most when content receives the highest number of likes. According to these data, there were only 2 likes between 250 to 300 likes and these likes belonged to the social postings. Thus, social postings received the highest number of likes on Facebook pages of miles credit cards in Turkey.

When the brand post types and the number of comments are compared, it is clear that the greatest density of comments is in the 1 to 25 comments range. Considering all of the brand post types, there were 43 comments in the 1 to 25 comments range. The number of comments diminished quickly above 25 indicating that a Facebook posting of miles credit cards mainly gets between 1 to 25 comments or no comments at all (44), few posts getting 26 to 50 showing that nearly half of the brand posts did not receive any comment. This is a significant finding as it demonstrates that marketers of miles credit cards are in need of some tactics to encourage their Facebook followers to make comments on the posts. Customer engagement happens the most when a brand post receives the highest number of comments. The chart shows that there were only 2 comments above 50 and these comments belonged to the social postings. Overall, social postings received the highest number of comments on Facebook pages of miles credit cards in Turkey.
Table 4: The brand post types and the number of shares

<table>
<thead>
<tr>
<th></th>
<th>Between 1-5</th>
<th>Between 6 - 15</th>
<th>Between 12 - 20</th>
<th>None</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Social</td>
<td>19</td>
<td>1</td>
<td>1</td>
<td>24</td>
<td>45</td>
</tr>
<tr>
<td>Entertaining</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Promotional</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>37</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>28</td>
<td>2</td>
<td>1</td>
<td>63</td>
<td>94</td>
</tr>
</tbody>
</table>

When comparing the brand post types and the number of shares, it is evident that the density of shares is between 1 to 5 shares. There were 28 shares between 1 to 5 shares considering all of the brand post types, 19 of them belonging to social postings. The number of shares diminished considerably above 5 and there were 63 brand posts which received no shares. Thus, it is possible to say that most of the postings of miles credit cards do not get any shares. Customer engagement happens the most when content receives the highest number of shares. The chart shows that there was only 1 share between 15 to 20 and this share belonged to the social posting. In all, social postings received the highest number of shares on Facebook pages of miles credit cards.
Table 5: The brand post type creating the highest customer engagement

<table>
<thead>
<tr>
<th>Brand post types</th>
<th>The highest number of likes</th>
<th>The highest number of comments</th>
<th>The highest number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Between 250-300</td>
<td>Above 50</td>
<td>Between 15-20</td>
</tr>
<tr>
<td>Information</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Social</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Entertaining</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Promotional</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

When the information in Tables 2, 3, and 4 are combined in Table 5, it is seen that customer engagement is the highest in social postings. One social posting managed to receive the highest number of likes, the highest number of comments and the highest number of shares. This social posting received a number of likes between 250 and 300, a number of comments above 50 and a number of shares between 15 to 20. Thus, this chart’s answers to the research question of this study: Social postings function best and social postings are the most popular on Facebook pages of miles credit cards in Turkey as they create the highest customer engagement. Hence, hypothesis number 4 is confirmed while hypotheses number 1, number 2 and number 3 are refuted.

Table 6: The brand post types and the time of the week

<table>
<thead>
<tr>
<th></th>
<th>Weekdays</th>
<th>Weekends</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Social</td>
<td>34</td>
<td>11</td>
<td>45</td>
</tr>
<tr>
<td>Entertaining</td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Promotional</td>
<td>33</td>
<td>11</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>23</td>
<td>94</td>
</tr>
</tbody>
</table>

Marketers of miles credit cards in Turkey mostly share postings on weekdays. Where 71 postings were shared on weekdays, 23 postings were shared on weekends. The number of postings shared on weekdays is nearly the triple of the number of postings shared on weekend. While 34 of the social postings were shared on weekdays, only 11 of them were shared on weekends. While 33 of the promotional postings were shared on weekdays, only 11 of them were shared on weekends. While 4 entertaining postings were shared on weekdays, only one information posting was shared on weekends. Clearly marketers of miles credit cards in Turkey share more brand posts on weekdays.
Table 7: The brand post types - Multimedia

<table>
<thead>
<tr>
<th></th>
<th>Image and text</th>
<th>Video and text</th>
<th>Image, text and link</th>
<th>Video, text and link</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Social</td>
<td>32</td>
<td>2</td>
<td>11</td>
<td>0</td>
<td>45</td>
</tr>
<tr>
<td>Entertaining</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Promotional</td>
<td>7</td>
<td>1</td>
<td>34</td>
<td>2</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>4</td>
<td>47</td>
<td>2</td>
<td>94</td>
</tr>
</tbody>
</table>

Investigating which multimedia instruments that brand post types contain, it is seen that they mostly include an image, a text and a link together. Out of the 94 postings shared, 47 were of this type. Within all types of brand posts, mostly promotional postings used an image, a text, and a link together. Of this group of 94, 34 promotional postings used an image, a text, and link together. Out of the 94 postings shared, 41 of them contained an image and a text. Within all types of brand posts, mostly social postings used an image and text together. Using a video and a text was not used much by marketers. Its usage was very low. Only 4 of them were used. A video, text, and a link were used the least within all postings. Only 2 of them were used and they belonged to the promotional posting category. Thus it seems marketers of miles credit cards in Turkey frequently use an image, a text, and a link together try to capture all senses of their customers. In this way, they aim to draw their customers’ attention more to the postings.
Marketers of miles credit cards in Turkey prefer to share their postings mostly in the mornings and night and rarely post in the afternoon or evening. Out of the 94 postings shared 61 of them were shared in the morning and 31 one of them were shared at night. One of them was shared in the afternoon and one of them was shared in the evening. Probably, marketers of miles credit cards in Turkey think that the best time to share the postings is in the night and morning as their customers can then see the postings all day long.

Table 9: The brand post types and the length of the posts

<table>
<thead>
<tr>
<th>Type</th>
<th>1 – 15 words</th>
<th>15 – 30 words</th>
<th>Above 30</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Social</td>
<td>35</td>
<td>10</td>
<td>0</td>
<td>45</td>
</tr>
<tr>
<td>Entertaining</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Promotional</td>
<td>27</td>
<td>13</td>
<td>4</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>23</td>
<td>4</td>
<td>94</td>
</tr>
</tbody>
</table>

Marketers of miles credit cards in Turkey mostly prepare postings that are 1 to 15 words long. Out of the 94 postings, 67 of them were 1 to 15 words long. Reaching customers with short but striking messages is a tactic that is obviously used by marketers of miles credit cards.

5. Conclusion and Discussion

Marketers of miles credit cards in Turkey use Facebook brand fan pages chiefly to socialize with their customers and to promote their products and services. By using social postings they ask questions to their customers about their opinions on particular issues and they try to receive feedback from their customers. Mostly they ask questions concerning popular touristic destinations such as to which
countries these destinations belong or whether their customers have been to these countries before. By using social postings, they remind their customers about the presence of popular touristic destinations, learn about their customers’ interests in these destinations via feedback and implicitly motivate them to plan holidays by using miles credit cards. By using promotional postings, marketers of miles credit cards in Turkey promote their new products and services. They let their customers know about their new campaigns such as special discounts or advantages installments offered with the miles credit cards. Marketers of miles credit cards in Turkey do not use Facebook brand fan pages as a channel to disseminate corporate news. They prefer using corporate websites for that purpose. They also rarely use entertaining postings to amuse their customers. They try to keep the communication between the banks and their customers more serious.

On average, a brand post receives a number of likes between 1 to 50 likes, a number of comments between 1 to 25 comments and a number of shares between 1 to 5 shares on Facebook brand fan pages of miles credit cards in Turkey. Within the four different brand post types, social postings received the highest engagement rate on Facebook brand fan pages of miles credit cards in Turkey. One social posting got a number of likes between 200 to 250, a number of comments above 50 and a number of shares between 15 to 20. As they create the highest customer engagement, social postings function best and social postings are the most popular on Facebook pages of miles credit cards in Turkey.

Marketers of miles credit cards in Turkey mostly share postings in the mornings and on weekdays. When brand posts are shared in the mornings, the customers have a chance to see the brand posts throughout the day as they log in to their Facebook accounts, sharing brand posts in the mornings helping to increase customer engagement. Marketers of miles credit cards in Turkey prepare brand posts including an image, a text, and a link together most of the time in brand posts that are 1 to 15 words long. They try to draw attention to their messages briefly without monopolising the attention of their customers and without boring their customers narratives.

References


Evaluation and Investigation into the Potential Benefits of e-Procurement Adoption in Saudi Arabian SMEs

Ahmed Altayyar, University of Bedfordshire, United Kingdom
John Beaumont-Kerridge, University of Bedfordshire, United Kingdom

Abstract

This paper investigates the potential benefits of e-procurement adoption in Saudi Arabian SMEs. The study’s theoretical foundation is built on Gunasekaran and Ngai’s (2009) model of e-procurement adoption, applied to the south-east coast of the USA. It includes an extensive literature review on e-procurement adoption to investigate further factors in the benefits category. The study uses both qualitative and quantitative tools to collect data from four selected Saudi Arabian SMEs to identify potential benefits in relation to e-procurement adoption. It also investigates the relative importance of various perceived benefit factors in Saudi Arabian SMEs using the Analytic Hierarchy Process.

Keywords: e-procurement adoption, purchasing, benefits, SME
Evidence-Based Policy in Higher Education in Finland

Anniina Huohvanainen, University of Turku, Finland

Abstract

This doctoral study investigates Evidence-based Policy in Higher Education in Finland. Evidence-based policy is a trend where the idea is to solve complex social problems by using evidence. Usually, evidence will be gained by means of research and gained research knowledge will be applied via the administration system. The idea of evidence-based policy is not new; already for thousands of years some kind of evidence has been used to solve social problems. (Dunn, 1994: 34–57) The recent trend of evidence-based policy began to gain ground at the end of the 1990s in the UK when Tony Blair’s Labour party won the general elections with the slogan ‘what matters is what works’. (e.g. Nutley et al., 2007: 10) Different kinds of activities, the aim of which is to support the use of research evidence in policymaking, have significantly increased in Europe in the last two decades. (Gough et al., 2011: 33) Furthermore, in recent years many papers have described the practical problems of using research in policymaking and have tried to find solutions to these problems. However, less attention has been paid to the question: in which phase of the policymaking process research results could be used most fruitfully? It seems to be so that research is used much less for defining problems than in the other phases of the policymaking process. In order to define the problem both the context and the causes of the problem have to be analyzed. Without the rigorous problem defining there is firstly a risk to miss the complexity of the problem and the possible fact that the target is not sensible in the context in question, which can turn to such unintended consequences that: attaining the target won’t have the benefits decision-makers thought it will have; or attaining the target may cause effects that conflict with the other targets in the agenda. Secondly, if the problem is not rigorously defined, it is not possible to evaluate reasonably what type of solutions might work in the context in question and what kind of effects the intervention may have as a whole. Of course, complex social problems can never be defined perfectly. There is always something that is not known, or it is not known what is not known. Nevertheless, if an attempt is made to solve the problem, then it is reasonable to start the process of the problem solving by defining the problem as well as possible. In this study I analyze research literature, international discussion, noticed problems and the best practices of evidence-based policy, and discuss them from the perspective of the problem defining. I also study Finnish education policy issues, one of which is the issue of the prolonged studies of Finnish university students, by conducting argument analysis. I for example analyze how the problems are defined, how evidence is used in the problem defining and how logical the argumentation is.

Keywords: evidence-based policy, problem defining, complex social problems, higher education, argument analysis

References:


The Effect of Career Management Practices on Employee Development and Organizational Commitment

Nevra Baker, Bogazici University, Turkey

Abstract

This research aimed to find out if individual and organizational career management practices have an effect on employee development and organizational commitment and in what way possible ways do these affect employee development and organizational commitment. As a result of this study, it was observed that individual and organizational career management activities surely lead to employee development. What was unexpected was that employee development would lead to organizational commitment and relatedly, both individual and organizational career management activities would again lead to a greater organizational commitment.

Keywords: employee development, organizational commitment

Oskeol Gjoni, European University of Tirana, Albania

Abstract

The telecommunications sector in Albania is dominated from seven major operators that have an across the country presence. At the end of 2014 the sector of electronic communications in Albania has seen a decline in the number of subscribers of mobile telephony in active subscribers and in subscribers of active sim cards, respectively 3.359,654 subscribers with a year on year decline of -8.9% compared with 2013 and 4.881,666 subscribers with a year on year decline of -7.6% compared with 2013. A decline behavior is also present in fixed telephony with a year on year decline of -12.1%. The penetration of mobile telephony and fixed telephony is 123% and 9.2% of the population respectively. On the other hand the fixed broadband market is in rapid growth with a year on year growth of 13.3%. The main focus of Business Process Management (BPM) is the automation and optimization of business processes as well as the support of human interactions with the use of information technologies. BPM sees processes as strategic assets of an organization that must be understood, managed, and improved to deliver value-added products and services to clients. Driven by the need for a closer alignment of business and IT requirements, the role of business process models in the development of enterprise software systems has increased continuously. This paper will provide the state of the art in business process management practices in the telecommunication industry in Albania.

Keywords: Business Process Management, modeling, BPMN, Telecommunications.

Introduction

It is part of the human nature to be attracted to easy solutions for complex problems. In the business world we learn to solve problems quickly and move on fast. In the case when we can’t get our work done quickly enough, we’ve discovered we can automate! In the office we’ve perfected this ability over the past 100 years to the point that we now automate almost everything in order to get more done faster – it began first with letter writing, then book-keeping, reporting, inventory, sales and order processing and, more recently, business workflow and document management. Thus, when confronted with productivity, efficiency and business control issues today, our first temptation is to buy an automated solution to our problem [26].

Businesses today, especially very large organizations with complex service products, are realizing that there’s only so much their IT systems can achieve in improving their business operations. Even where core systems are effective and efficient (which is not always the case), it is becoming increasingly difficult further to improve the overall operating efficiency and customer service effectiveness to the extent necessary to meet customer and shareholder expectations at a rate faster than our competitors [26].

There are different definitions for a business process but they all can be summarized to as “a collection or ordered tasks that need to be carried out to achieve a certain business goal, such as the production of a particular product or the delivery of a service”. Business Process Management (BPM) is a management approach that comprises the creation, development, maintenance and optimization of...
business processes in different organizations. BPM sees processes as strategic assets of an organization that must be understood, managed, and improved. Tasks within business processes represent activities that are performed manually by a human or automatically by some system. The main focus of BPM is the automation and optimization of business processes as well as the support of human interactions with the use of information technologies [13]. The different phases that are part of BPM are; analysis, design, implementation, deployment, monitoring and evaluation. In the analysis and design phases, a business case is analyzed and a desired solution is modeled. Then the solution is implemented and executed in an existing environment (implementation and deployment phase). The running solution is controlled in the monitoring phase and the solution is adapted for continuous improvement during the evaluation phase [12].

In BPM, business processes of an organization are represented in terms of process models capturing the business logic that shall be automated. A process model comprises a set of activities connected by edges that determine the order in which the activities are performed. The standard modelling formalism to model business process is the Business Process Modeling and Notation (BPMN). BPMN is a standard for business process modeling that provides a graphical notation for specifying business processes in a Business Process Diagram (BPD), based on a flowcharting technique very similar to activity diagrams from Unified Modeling Language (UML) [17, 25].

The primary goal of BPMN is to provide a standard notation readily understandable by all business stakeholders. These include the business analysts who create and refine the processes, the technical developers responsible for implementing them, and the business managers who monitor and manage them. Consequently, BPMN serves as a common language, bridging the communication gap that frequently occurs between business process design and implementation [17, 24].

For the automation of business process, typically the model driven architecture approach to software development is applied. The MDA approach in developing information systems is a model-oriented approach since it focusses on the business logic (the “what”) rather than on the specific implementation technology (the “how”) on a particular programming environment such as Java, .NET etc [21, 12, 14]. This separation enables also portability, interoperability and reusability [18, 19]. MDA makes models the authentic protagonist of information systems development, not the source code. This separation decreases the impact that technology evolution has on application development and also enables the possibility to profit from new implementation technologies. Once the model is created, it can be transformed automatically into code in different software platforms. Knowledge and intellectual property engaged in application development are moved from source code to models. Models are the most valuable assets since code is obtained from them through automatic transformations [21, 22].


The Telecommunications Sector in Albania

The telecommunications sector in Albania is dominated from seven major operators that have an across the country presence. These operators are Vodafone Albania, Albanian Mobile Communications (AMC), Alбtelecom, Plus Communication, Abcom, Abissnet and Albanian Satellite Communications (ASC). As per the latest report published from the National Authority of Electronic and Postal Communications there are around 100 operators present and operating in Albania. Only the above seven mentioned operators have an across the country presence while the other operators are very small and have only local or regional presence [16]. At the end of 2014 the sector of electronic communications in Albania has seen a decline in the number of subscribers of mobile telephony in
active subscribers and in subscribers of active sim cards, respectively 3,359,654 subscribers with a year on year decline of -8.9% compared with 2013 and 4,881,666 subscribers with a year on year decline of -7.6% compared with 2013. Active subscribers refers to subscribers of SIM cards that have used mobile telephony services in the last three months while the number of subscribers as per SIM active cards refers to the number of SIM cards that are active in the mobile network at the end of the reporting period. A decline behavior is also present in fixed telephony with a year on year decline of -12.1%. The penetration of mobile telephony and fixed telephony is 123% and 9.2% of the population respectively. On the other hand the fixed broadband market is in rapid growth with a year on year growth of 13.3% [16].

**Mobile Network Operators**

In Albania operate four mobile network operators, Vodafone Albania, Albanian Mobile Communications (AMC), Albtelecom and Plus Communication. The penetration of mobile telephony in Albania is 123% of the population at the end of 2014. The operators offer 3G services (Plus is the exception) and are currently in the process of implementing 4G services across the country. In the below table is presented the market share for the operators as per active subscribers and subscribers of active sim cards [16].

<table>
<thead>
<tr>
<th>Active Subscribers and Active SIM Cards</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plus</td>
<td>28,162</td>
<td>28,162</td>
<td>182,391</td>
<td>396,722</td>
<td>302,426</td>
</tr>
<tr>
<td>Altelecom</td>
<td>602,775</td>
<td>822,356</td>
<td>415,307</td>
<td>1,110,363</td>
<td>435,922</td>
</tr>
<tr>
<td>Vodafone</td>
<td>1,129,715</td>
<td>1,674,748</td>
<td>1,358,871</td>
<td>1,809,264</td>
<td>1,491,126</td>
</tr>
<tr>
<td>AMC</td>
<td>1,396,752</td>
<td>2,022,541</td>
<td>1,152,518</td>
<td>1,920,000</td>
<td>1,407,811</td>
</tr>
</tbody>
</table>

Table 1: Number of active subscribers and active SIM cards per mobile operator from 2010 to 2014

In the below table is also presented the number of subscribers using 3G mobile broadband per operator [16].

<table>
<thead>
<tr>
<th>Number of subscribers with 3G broadband</th>
<th>AMC</th>
<th>Vodafone</th>
<th>Altelecom</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cellphone USB/Modem</td>
<td>222,882</td>
<td>371,426</td>
<td>37,572</td>
<td>NA</td>
</tr>
<tr>
<td>Cellphone USB/Modem</td>
<td>227,428</td>
<td>32,138</td>
<td>66,086</td>
<td>13,143</td>
</tr>
<tr>
<td>Cellphone USB/Modem</td>
<td>163,797</td>
<td>503,855</td>
<td>46,341</td>
<td>197,220</td>
</tr>
</tbody>
</table>

Table 2: Number of subscribers with 3G broadband access per operator

**Fixed telephony operators**

In Albania operate many fixed telephony operators due to the presence of many small local providers. The market is dominated from Altelecom (incumbent with 74% market share) and the other operators that have certain relevance are Abcom, Albanian Satellite Communications, Albanian Mobile Communications Fiks and Nisatel (local operator). In the below Table 3 is provided a detailed picture of the sector. The penetration of fixed telephony is Albania is 9.2% of the population (around 31% penetration in terms of households) and the total number of subscribers are 247,070 at the end of 2014 as per the latest report with a decline of -12 year on year. The penetration of fixed telephony and its usage is in constant decline in Albania in line with the European trends on fixed telephony [16].
The number of Fixed Broadband Operators in Albania is also elevated due the presence of many small local providers. The market leaders in the fixed broadband market in Albania are Albtelecom (incumbent), Abcom, Albanian Satellite Communications and Abissnet. The penetration of fixed broadband in Albania is around 27% of households and the total number of subscribers is 206,896 at the end of 2014 as per the latest report with a 13% increase year on year. The fixed broadband market in Albania has not reached its maturity and saturation and is in continuous expansion. In the below table is presented the market share for the operators at the end of 2014 [16].

<table>
<thead>
<tr>
<th>Year</th>
<th>Albtelecom</th>
<th>Abcom</th>
<th>ASC</th>
<th>AMC Fiks</th>
<th>Other Operators</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>277,763</td>
<td>19,975</td>
<td>7,408</td>
<td>5,900</td>
<td>n/a</td>
<td>20,456</td>
</tr>
<tr>
<td>2011</td>
<td>258,943</td>
<td>27,167</td>
<td>10,129</td>
<td>4,950</td>
<td>5,500</td>
<td>6,119</td>
</tr>
<tr>
<td>2012</td>
<td>230,397</td>
<td>33,000</td>
<td>7,649</td>
<td>5,500</td>
<td>6,950</td>
<td>28,996</td>
</tr>
<tr>
<td>2013</td>
<td>210,397</td>
<td>15,331</td>
<td>10,047</td>
<td>7,166</td>
<td>15,047</td>
<td>28,996</td>
</tr>
<tr>
<td>2014</td>
<td>182,591</td>
<td>15,531</td>
<td>15,047</td>
<td>9,236</td>
<td>15,047</td>
<td>21,559</td>
</tr>
</tbody>
</table>

Table 3: Number of Fixed Telephony subscribers per operator

**Fixed broadband operators**

Following the global trends on the telecommunications industry and the changes that are happening across the industry where operators are moving towards the offering of converged propositions (bundling several fixed services like fixed telephony, fixed broadband, Pay TV and mobile services together) also in Albania there is a tendency on offering converged propositions. All major fixed broadband operators have implemented and are offering Pay TV services (IPTV or Cable TV) and also offer fixed bundled services (Fixed Telephony, Fixed Broadband and Pay TV). In particular Albtelecom is offering quad play services by bundling together Mobile telephony, Fixed Telephony, Fixed Broadband and IPTV in a single package.

**Business Process Management Practices**

For the scope of the study on business process management practices in the telecommunications market in Albania we will take into consideration only the seven major across the country companies (Vodafone Albania, Albanian Mobile Communications, Albtelecom, Plus Communication, Abcom, Abissnet and Albanian Satellite Communications) since the rest of the operators are very small and with not a clear and defined company and operational structure. We are confident that such small local operators that are mostly family run businesses have not business process management practices in place. A survey was prepared for completion to responsible persons within the seven major companies across the country.
telecommunication companies in Albania. Also in same cases to explain possible inquiries and understand in more details the situation interviews were performed. In the below section we will highlight the results of the survey for each area.

Business process modelling and business process management awareness

In all the major telecommunication companies in Albania there is a clear understanding and awareness for Business Process Management. The importance of Business Process management is recognized. In six out of the seven companies (85% of the cases) there is also an understanding regarding Business Process Modelling and its importance even though most of the times there is a clear association between Business Process Modelling and Business Process Management.

Responsible team within the company for Business Process Management

In six out of the seven companies (85% of the cases) the companies have in places teams dedicated for Business Process Management with a clear structure and reporting to top management. This is clear evidence that top level executives in such companies recognize the importance of Business Process Management and Business Process Improvement.

Tools and formalisms used for business process modelling, BPMN

In all the companies there is not used and is not in place a tool dedicated for Business Process Modelling. Applications such as Microsoft Visio or similar are used in some cases to model business processes but there are not in place business process modelling tools that support the BPMN standard or UML. Even though four of the seven companies state in the survey that they are aware of BPMN standard, in practice the BPMN standard is not used to model business processes.

Tools used for business process management

In all the companies there are not in place dedicated Business Process Management suites that support business process modelling and business process management. The companies use applications/solutions provided or present in the company for business process management and in some cases to automate process flows. In some cases CRM or ERP applications are used for the purpose as well. In all the companies there are not BPMS suites in place to manage the business process lifecycle and that allow process automation starting from the process model following the model driven development approach. The importance of historical reporting in order to improve business processes is clear and understood in all cases but the historical capability of the applications it’s not the same as the one provided form a BPMS suite.

Tools used to simulate business processes

In all the companies there are not in place dedicated solutions used for business process simulation and business process simulation is not a practice used from the business process management teams. Process improvement is based only on historical reports and common practice careful review of the processes.
Conclusions

Following the results of the survey on business process management in the telecommunication industry in Albania it can be concluded that:

- There are no BPMS solutions used for business process management in the companies. The benefits and advantages provided from such tools are not entirely explored and we believe that the companies by investing in a business process management solution like e.g. Bizagi BPMS suite will have a clear advantage towards the competitors to streamline and better improve business processes [2, 3].
- There is not a clear formalism used to model business processes and there are no tools that support it. The BPMN standard for business process modelling is not used to model business processes. We strongly suggest the adoption of the BPMN standard within the companies. We also recommend that such adoption should happen quickly within the companies and it would provide to the ones that adopt it a clear advantage towards the competitors. The utilization of the BPMN standard is a first step towards the progress of the companies in using a BPM suite. This first step can be performed easily and with no costs since there are several tools that support BPMN to model business processes and are for free like Bizagi Process Modeler etc [4].
- Business process improvement is based mainly in historical reports and common understanding of the stakeholders involved in the process. Process simulation is not used to improve and optimize business processes. We strongly recommend the usage of process simulation as a must in order to properly optimize business processes. Process simulation can provide savings for the companies and at the same time guarantee the quality of the processes. The investment needed in such case from the companies is practically zero since there are several tools that support business process modelling and are free. One of them is Bizagi Process Modeler [4].
- It is important also to point out that all the companies are aware of the importance of business process management and have dedicated teams and functions in place that are responsible for business process management.

References

[16] National Authority on Electronic and Postal Communication 4th quarter of 2014 report


The Effect of Macroeconomic Variables on Share Investment and Shareholder's Investment Behavior: A Study on the Bangladesh Share Market

Naheem Mahtab, Independent University, Bangladesh
Tanbeen Mahtab, Leeds Beckett University, United Kingdom

Abstract

Share investment had an exponential growth over the last decades in our country and obviously all over the world. The relevant behavioral theories regarding investor’s share investment intention have been reviewed. In this study we try to find out how macroeconomic variable affects the share investment. Some of the variable affects directly that are consider the independent variable and some are indirectly affects the share investment by the dependent variable that are consider as a moderate variable. The government policy is also affects the share investment decision of an investor. Findings of the research have been explored, demonstrating that all the adopted variables namely; inflation, exchange rate, interest rate, money supply significantly and positively influence the share investment in the money market. However, the expectation of the outcomes was not true for the entire variable which has been discussed. Moreover, limitations and contributions of the study are also explained.

Keywords: Share investment, Macroeconomic variables, government policy, inflation, exchange rate, interest rate, money supply

1. Introduction and statement of problem

Macroeconomic variable has an important effect on the stock market capitalization. An investor investment decision in the stock market always includes the sacrifice of immediate benefits for better future returns. An investment is always made with certain specific objectives in mind that is classified by primary and secondary objectives. While the primary objectives revolve around the risk and return part of an investment decision, the secondary objectives include the safety against inflation, interest rate, money supply, exchange rate, liquidity, growth, tax benefit etc (Kurihara, 2006; Ologunde, Elumilade and Saolu 2006). With the rising trend of fund management services all around the world, it becomes indispensable to have a very good understanding of how an investor thinks and responds to different investment avenues. The stock market is one of the most interested and inquisitive area for investors who always want to create massive wealth in the shortest time phase since stocks are the most wonderful category of financial instruments and one of the greatest tools ever invented for building financial wealth. The perception of investors differs around on the basis of different factors like age, income, experience of investing, investment objectives and individual social needs. The stability of the market, to a larger extent depends upon the behavior of the investors. This behavior includes their perception and attitude towards stock markets, which makes them to perceive the stock market as a better investment option than other avenues. Investors’ perception and attitude had been studied with respect to various factors affecting their investment decisions. But no such study has been observed where the perception of the investor has been studied and analyzed with respect to the volatility caused by macroeconomic performance of stock behavior.

Bangladesh capital market is one of the smallest in Asia but one of the largest in the South Asian region. In Bangladesh, responses of investors to capital market are overwhelming. Trading behavior depends on the different demographic characteristics- gender, age, educational level, income level, risk taking tendency, proper knowledge, social class, standard of living etc. Maintaining
macroeconomic stability has been one of the main challenges for Bangladesh (Iqbal, 2001). Mahmudul and Gazi (2009) in their study in Bangladesh on stock investment found that interest rate exerts significant negative relationship with share price and causal relationship between stock prices and exchange rates, for markets of Bangladesh. In Bangladesh stock market capitalization rate is significantly influenced by the macroeconomic environment factors such as gross domestic product, exchange rates, interest rates, current account and money supply. Information about the stock price has also created a huge impact. Last two to three years stock market face a unmanageable problem but SEC try to best to overcome from this situation and also Bangladesh government provide a special package to improve the stock market condition.

www.researchgate.net/...Bangladesh...Stock.../9fcfd510b403936103.pdf

Stock investment decision varies for the country inflation and exchange rate. The volatility of these two this can create a huge influence in the stock investment. But these two variables are depending on the country money supply and the interest rate policy by the government. Money supply increase as a result faces the inflation and interest rate fluctuation can depreciate and appreciate the currency value as a result create an impact on the exchange rate. All the variable needs to balance for performing the share market properly and the investor get trust from invest their money.

The problem statement of this research is- “To investigate investors” on the effects of inflation and exchange rate while investing influence investor viewpoint on money supply and interest rate policy, and their attitudes toward share investment and by linking all these together, finding out their share investment intention”.

2. Purpose of the study

The purpose of this study is to know about the investor’ inflation, exchange rate how effects the stock investment. Investor investing decision in the stock market can easily identify by this research. Stock investment research is the process by which a stock market use this and gather information how well their share transaction occurring in the stock market. Stock investment research can be an effective tools that helps a stock markets to run in properly and get to boom. Focusing inflation and its correlation with stock investor and discussing the expertise of invest operation to know investor stock invest intension.

✓ Exploring the effects of money supply on stock investment.
✓ Exploring the effects of government policy on stock investment.
✓ Evaluating the exchange rate effects on the stock investment by appreciation or depreciation.
✓ Exploring the effects of interest rate on stock investment.
✓ Exploring the effects of business incentives by the government on the stock market.

3. Literature Review

Macroeconomic variables affect the performance of the stock market. The issue concerning the relation between stock market performances in a country with the macroeconomic factors has been widely studied during the last two decades. The previous studies are mainly focused on the developed markets such as the USA, Japan, UK and the markets in other developed countries. There are only a few studies concerning this issue in the Asian emerging markets. Investors consider macroeconomic variables when they invest in the stock market. Interest rate, exchange rate, Money Supply and inflation are very important among these macroeconomic variables which affect the performance of the stock market. Higher capital expenditures, which can obtained be reinvesting retained earnings or by attracting new investments, are known to lead to economic growth and to better stock market performance (Ritter, 2005). Hence, a unidirectional relationship can be assumed to exist between economic performance and stock market performance. In recent years, the studies focused on the relationship between macroeconomic variables and national stock markets have become one of the most important papers of economics and finance literature. Lots of macroeconomic variables are used in these studies but money supply, inflation rate, interest rate, exchange rate, trade balance and
industrial production index are the most commonly used variables in the literature. Maysami and Koh (2000) found that inflation, money supply growth, changes in short- and long term interest rate and variations in exchange rate formed a co-integrating relation with changes in Singapore’s stock market levels. Gan, Lee, Yong and Zhang (2006) findings suggest that there exist a long term relationship between stock prices and macroeconomic variables in New Zealand. However, the Granger causality test suggests that New Zealand stock exchange is not a good indicator for macroeconomic variables in New Zealand, this result however, is inconsistent with other studies. Chinzara (2011) examine the relationship between macroeconomic uncertainty and stock market volatility for South Africa and found that stock market volatility is significantly affected by macroeconomic uncertainty.

4. a. Inflation

In theory, there is a case to support the view that since the rate of inflation means an increase in the general level of prices, and since common stocks can be considered as capital goods, then the stock prices should move with the general level of prices. So, when the general inflation rate increases, common stocks should also increase to compensate investors for the decrease in the value of money. In this framework, it is expected that there is a positive relationship between the inflation rate and stock prices. However, early empirical studies demonstrated a negative relationship between the inflation rate and stock returns see, Lintner, 1975; Bodie, 1976; Jaffé and Mandelker, 1976; a rapid increase in inflation also affects negatively the performance of the stock market. Growing inflation considered as a bad news by the investors because it depicts bad economic conditions in the country and investors feel insecure about their investment in the stock market. They expect tight monetary policy in future by the Fed to control inflation which in turn control money supply and firms suffer to get finance from banks due to higher cost of borrowing with tight credit terms. In case of decreasing inflation rate, it depicts good economic conditions and attracts investors to invest in the stock market. Fisher (1930) asserted that inflation leads to high nominal interest rates since investors demand compensation for a loss in the future value of money. Since stock prices are based primarily on the present value of future streams of cash flow, inflation will reduce the future value of cash flows which means that the future cash flows are worth less today. The subsequent high interest rates lead to high costs of borrowing, and thus a rise in inflation induces a decline in the stock index reflecting a decline in the stock market performance. This is explained by the fact that borrowers tend to shy from the stock market to avoid getting into a debt whose cost is very high due to high rate of interest. Fama (1981) puts forth a large amount of evidence to validate the hypothesis that an unexpected increase in the growth rate of real activity not only causes an increase in stock prices, but also a decrease in the price level and inflation because of its impact on money demand. This author, in his popular paper painstakingly observed that the results evidencing negative relations between common stock returns and inflation were absolutely puzzling given the previously accepted wisdom that common stock, representing ownership of the income generated by real assets, should be a hedge against inflation. (Kaul, 1987; Hess and Lee, 1999; Du, 2006) suggested that the relationship between stock returns and inflation can be either negative or positive depending on the effect of the monetary policy. These authors stressed the relative importance of demand and supply shocks in determining the relationship between stock returns and inflation, where they pointed out that a negative relationship between stock returns and inflation depicts the presence of supply shocks while demand shocks result in a positive one. A predictable increase in the rate of inflation has also been cited to interfere with the ability of the financial sector to allocate resources effectively. A rise in the rate of inflation therefore has been found in a majority studies to affect credit market frictions with negative repercussions for financial sector (both banks and equity market) performance and eventually the long-run real activity, Huybens and Smith (1998, 1999). Although most empirical studies have found evidence in support of a negative relationship between stock prices and both expected and realized inflation, there are fewer consensuses as to what drives it. Various analysts (Modigliani and Cohn, 1979; Sharpe, 2002; Campbell and Vuolteenaho, 2004) however concur that the negative relationship could reflect: (i) a correlation between inflation and expected real economic growth; (ii) the use of nominal interest rates to discount real cash flows by irrational investors or (iii) a subjective inflation risk premium. In a study on what the researcher deemed to be the four high inflationary countries in central Latin America (Argentina, Chile, Mexico and Venezuela), Choundhry (2001) empirically investigated the
relationship between stock returns and inflation, and confirmed that all the series involved were mean reverting in levels. Using linear regression to test the relationship, the results demonstrated significant influence on returns was imposed by lags, and not by leads in the inflationary levels. These results further affirm the proposition that there exists a negative relationship between stock prices and inflation under galloping inflation. Nelson (1976) examined the relationship between monthly stock returns and inflation in the post-war period from 1953 to 1974 using US data, and found a negative relationship between stock returns, in both expected and unexpected inflation. The paper presented by Bodies (1976) defines the effectiveness of common stocks as an inflation hedge to the extent of which they can be used to reduce the risk of an investor’s real return which stems from uncertainty about the future level of the price of consumption goods. Marshall (1992) finds that negative effect of inflation on stock return is generated by real economic fluctuations, by monetary fluctuations or changes in both real and monetary variables. Wang (2011) found evidence on the existence of a bilateral relationship between inflation and stock prices, and a unidirectional relationship between the interest rate and stock prices. Pearce and Roley (1985) used money supply, inflation, real economic activity, and the discount rate as explanatory variables in a study that sought to examine the response of stock prices to announcements in the aforementioned time series in the USA. The empirical results from the study indicated that surprises related to monetary policy significantly affect stock prices. The researchers also found that only limited evidence of an impact from inflation surprises, and no evidence of an impact from real activity surprises on the announcement days. However, there seemed to be only weak evidence of stock price responses to surprises beyond the announcement day.

In a separate study, Wahid et al. (2011) attempted to formulate the relationship between stock prices versus inflation levels. The outcome from their empirical work revealed that the level of inflation affects share price index both in the short-run and long-run. Fama and Schwert (1977) attempted to decompose inflation into expected and unexpected components and found both pieces to be negatively related to stock returns. Other noteworthy observations include (Jaffe and Mandelker, 1976; Solnik, 1983; Gultekin, 1983) who in accord emphasized that a negative relationship existed between stock returns and inflation in studies which ruled out the claim of stock markets as a perfect hedge against inflation. These researchers concurred that the stock markets would only be a perfect hedge against inflation if they were independent of the rates of inflation. Closer home, Geyser and Lowies (2001) studied the impact of inflation on stock prices in two SADC countries with the purpose of determining whether top performing companies that are listed on the Johannesburg Securities Exchange and the Namibian Stock Exchange could provide a perfect hedge against inflation. The study gave mixed results that restrained generalization on the relationship between stock prices and inflation rates, where it emerged that only stock for mining companies could provide a hedge against inflation. Wei (2007) investigates the relation between unexpected inflation and stock returns. The study showed correlations between unexpected inflation and nominal equity return of Fama-French book-to-market and size portfolios across the business cycle. The study found four main finding. Firstly, there was strong evidence that equity returns respond more negatively to unexpected inflation during economic contractions than expansions. Secondly, the equity returns of firms with lower book-to-market ratio and medium size are more negatively correlated with unexpected inflation. These were also portfolios whose correlations with unexpected inflation demonstrate strong asymmetric patterns across the business cycle.

4. b. Exchange Rate

Exchange rate and stock market also has a relationship. Foreign investors convert their returns on stocks in to their own currency. Foreign investors get affected when local currency gets stronger and converted into weaker currency. Exchange rate has negative relationship with stock prices. Stock prices decreases when exchange rate increases and decrease in exchange rate has positive impact on stock market. For the developing and the developed country we all are know that stock market and the foreign exchange market both are linked together, sometimes they can provide a positive behave and sometimes they can provide a negative behave. Their financial markets are not equally developed. However, both developed and developing countries can benefit from each other by sharing their pertinent experiences, as the foreign currency and stock markets are subject to uncertainties. The
classic theories have sought a statistically significant relationship between exchange rates and equity returns. Frank and Young (1972), who are considered pioneers in examining the relationship between the exchange rate and the stocks of US multinational firms, concluded that there exists no definite or uniform pattern of stock price reaction to exchange rate realignment. Adjasi and Biekpe (2005) investigated the relationship between stock prices and exchange rate movement in Ghana, South Africa, Egypt, Kenya, Mauritius and Nigeria. A VAR model was used to examine the relationship between exchange rates and stock prices. Findings from their study indicated that there was no long-run stable relationship between stock market prices and exchange rates for Egypt, Ghana, Kenya, Mauritius, Nigeria and South Africa. In another study, Pilinkus and Boguslaukas (2009) used the impulse response function to test the existence of the short-run relationship between stock market prices and macroeconomic variables. Their study concluded that unemployment rate, exchange rate, and short-term interest rates negatively influence stock market prices. Muhammad and Rasheed (2011) conducted a study on the relationship between stock prices and exchange rates in four South Asian countries; Pakistan, India, Bangladesh and Sri Lanka, for the period January 1994 to December 2000. The study employed co-integration, vector error correction modeling technique and standard Granger causality tests to examine the long-run and short-run association between stock prices and exchange rates. Results of the study showed no short-run association between the variables for all four countries. There was no long-run relationship between stock prices and exchange rates for Pakistan and India as well.

However, for Bangladesh and Sri Lanka, there appeared to be a bi-directional causality between these two financial variables. Sekmen (2011) examined the effects of exchange rate volatility, using the squared residuals from the autoregressive moving average models, on stock returns for the U.S. for the period 1980 to 2008. The study found that exchange rate volatility negatively affected U.S. stock returns since the availability of hedging instruments could not lessen the negative effect of exchange rate volatility on trade volume. In another study, Olugbenga (2012) examined the long-run and short-run effects of exchange rate on stock market development in Nigeria over 1985:1–2009:4 using the Johansen co-integration tests. Results showed a significant positive stock market performance to exchange rate in the short-run and a significant negative stock market performance to exchange rate in the long-run. Empirical literature investigated by the study showed that that there are mixed views on the link between the two variables. Interesting to note is that some studies like that of Alam and Tafiques (2007) admit that there is need for continuous research in the area of exchange rates and stock markets. Moreover, studies in other countries also provided room for further research. Morales (2008) admitted that further research along these lines is required in order to establish more comprehensively the true nature of spillovers from exchange rates to equity markets. In Australia, Loudun (1993) studied stock return sensitivity for a sample of Australian companies with respect to change in the trade weighted index value of the Australian Dollar during the post-float period from January 1984 to December 1989. He found that resource stocks and industrial stocks respond differently to fluctuations in the value of the Australian dollar. In 2000, Ariffin and Hook investigated the relationship between the exchange rate of the Malaysian Ringgit in terms of US Dollars and stock prices in Kuala Lumpur Stock Exchange (KLSE) using single index and multi index models. They documented a negative relation between exchange rates and stock prices in the KLSE market. Bahmani-Oskooee and Sohrabian (1992) analyzed the long-run relationship between stock prices and exchange rates using co-integration as well as the casual relationship between the two by using Granger causality test. They employed monthly data on S&P 500 index and effective exchange rate for the period 1973–1988. They concluded that there is a dual causal relationship between the stock prices and effective exchange rate, at least in the short-run. But they were unable to find any long-run relationship between these variables.

Smith (1992) uses a Portfolio Balance Model to examine the determinants of exchange rates. The model considers values of equities, stocks of bonds and money as important determinants of exchange rates. The results show that equity values has Naeem and Rasheed find that a significant influence on exchange rates but the stock of money and bond has little impact on exchange rates. These results imply not only that equities are an important additional factor to include in portfolio balance models of the exchange rate, but also suggest that the impact of equities is more important than the impact of
government bonds and money. Rittenberg (1993) employed the Granger causality tests to examine the relationship between exchange rate changes and price level changes in Turkey. Since causality tests are sensitive to lag selection, therefore he employed three different specific methods for optimal lag selection an arbitrarily selected, Hsiao method (1979), and the SMAR or subset model auto regression method of Kunst and Marin (1989). In all cases, he found that causality runs from price level change to exchange rate changes but there is no feedback causality from exchange rate to price level changes. Bartov and Bodnor (1994) concluded that contemporaneous changes in the dollar have little power in explaining abnormal stock returns. They also, found a lagged change in the dollar is negatively associated with abnormal stock returns. The regression results showed that a lagged change in the dollar has explanatory power with respect to errors in analyst’s forecasts of quarterly earnings. Ajayi and Mougoue (1996) show that an increase in aggregate domestic stock price has a negative short-run effect on domestic currency value but in the long-run increases in stock prices have a positive effect on domestic currency value. However, currency depreciation has a negative short-run effect on the stock market. Yu (1997) employed daily stock price indices and spot exchange rates obtained from the financial markets of Hong Kong, Tokyo, and Singapore over the period from January 3, 1983 to June 15, 1994 to examine the possible interaction between these financial variables. His results, based on the Granger causality test, show that the changes in stock prices are caused by changes in exchange rates in Tokyo and Hong Kong markets.

4. c. Money supply

There is a negative relationship between money supply and stock prices because, as money growth rate increases, the inflation rate is expected to increase, consequently the stock price decrease. However, an increase in the money supply stimulates the economy and corporate earnings increase. This result is an increase in future cash flows and stock prices. Broad Money (M3) has been considered as a proxy of money supply. Increase in money supply leads to increase in liquidity available for buying securities that eventually results in upward movement of nominal equity prices. Therefore, a positive relationship is expected between money supply and stock price. Moreover, an increase in money supply could also result in increased inflation, which in turn may trigger an increase in interest rate and dampen stock prices. Mukherjee & Naka (1995), Mayasami & koh (2000) and Kwon & Skin (1999) found that there is a positive relationship between money supply and stock returns. Masih & Masih (1996) indicate that money supply (particularly M1) appears to have played the leading role of a policy variable being the most exogenous of all and the other variables including output, rate of interest, exchange rate and prices appear to have borne most of the brunt of short-run adjustment endogenously in different proportions in order to re-establish the long-run equilibrium. The studies for developing economies consist of Fung and Lie (1990), Shin (1999), Achsani & Strohe (2002), Gan (2006) and Abugri (2006). Fung & Lie (1990) find interaction with money demand in a country. Shin (1999) found the stock markets are co-integrated with the production index, exchange rate, trade balance and money supply. Sellin (2001) lays out competing theories on how the money supply affects the stock market prices.

The competing theories to be examined here are the ones developed by the Keynesian economists and the real activity theorists. Keynesian economists argue that there is a negative relationship between stock prices and money supply whereas real activity theorists argue that the relationship between the two variables is positive (Sellin, 2001). The Keynesian economists argue that change in the money supply will affect the stock prices only if the change in the money supply alters expectations about future monetary policy. According to them, a positive money supply shock will lead people to anticipate tightening monetary policy in the future. They bid for funds in anticipation of tightening of money supply in the future, which will drive up the current rate of interest. As the interest rate goes up, the discount rates go up as well and the present value of future earnings falls. Stock prices consequently decline. Furthermore, they argue that economic activities decline as a result of increase in interest rates, which further depresses stock prices (Sellin, 2001). Bernanke and Kuttner (2005) combine the real activity and risk premium hypotheses and argue that the price of a stock is a function of the present value of future returns and the perceived risk in holding the stock. The authors believe that there is a positive relationship between the money supply and stock prices, agreeing with the real
activity hypothesis but disagreeing with Cornell's risk premium hypothesis. A stock is attractive if the potential of high returns is high. On the other hand, a stock is unattractive if the perceived risk of holding it is high. The authors argue that the money supply affects the stock market through its effect on both present value of future returns and the perceived risk. Money supply affects the present value of future returns through its effect on the interest rate. The authors believe that a tightening of the money supply raises the real interest rate. An increase in the interest rate would in term raise the discount rate, which would decrease the present value of future returns, which in turn decreases the price of a stock (Bernanke and Kuttner, 2005). Cornell (1983) is based on the information that monetary surprises convey on future money demand. An unexpected increase in the money stock tells agents that aggregate money demand is greater than they forecast. If money demand depends on expected future output the money surprise leads agents to expect high output. That increases future real interest rates which increase the demand for money in the present which in turns leads to increase in present interest rates.

Assuming that the increase in real interest rates is more than offset by the increase in future cash flows brought about by the increase in future output, the real activity hypothesis predicts that positive (negative) money surprises will lead to higher (lower) stock prices. Money supply represented by M2 in our study measures the degree of liquidity in the economy and any change in it is likely to influence the investment decisions of both individual and institutional investors. A study by Pearce and Roley (1985) argues that unanticipated announcements in monetary policy have a significant impact on stock prices while Jain (1988) documented that announcements about money supply and consumer price index are significantly associated with stock price changes. Boyle (1990) suggests that changes in monetary uncertainty modify the stock prices risk premium to replicate the added expected prices that investors demand for assuming the risk of keeping stocks. In this way, monetary uncertainty is supposed to depict a negative association with stock prices. The relationship between money supply and the stock market has been investigated empirically. Cheng (1995) and Groenewold (1997) showed that money supply affects stock market performance. Money supply is one of the macroeconomic indicators that effect to stock prices. This research attempts to ensure whether money supply has positive or negative relationship with stock return.

According to Kraft, J. and Kraft, A. (1977), they have found that there is no causal relationship between US money supply and stock return. However, Maghayereh (2003) stated that he found negative but not statistically significant relationship stock return and money supply in Jordan. According to Ozbay (2009), he also proved that the relationship between stock return and money supply is found to be insignificant in Turkey case. Changes in the stock price are predominantly set by changes in money supply intuitively makes sense to argue that an increase in the rate of growth of money supply strengthens the rate and finally increase in stock prices stated by (Shiblee, 2009). According to Sellin (2001), he has proved that an unexpected money supply increase indicates higher money demand given an accommodating monetary policy. He also said that the higher money demand will lead to increase in risk. As a result, investors demand higher risk premium for holding stocks making them less attractive, which causes equity prices to fall. Results presented by Chen et al (2005) also suggested that money supply and unemployment could significantly explain stock price returns. In particular, money supply and stock returns are positively related. Maghayereh (2003) stated that he found negative but not statistically significant relationship stock return and money supply in Jordan. Nasrin and Syed (2011) estimate relationship between Macroeconomic Variables (M1, M2 and Inflation rate) and Stock Prices in Bangladesh for the period 2003-2011. They used granger causality test to test for the causal relation among the variables and co-integration to detect the long run relationship. Their findings reveal that there exist long run relationship and also M2 Granger- cause stock price and three macroeconomic variables. All of the researcher agree with that money supply and the stock investment basically the stock price have a correlated each other, but some of them said that stock investment and money supply have positive correlation and some of them said that negative correlation.

4. d. Interest Rate
The relationship between the stock market performance and the interest rate is traced back to Friedman’s money demand function (Osuagwu, 2009). Friedman (1956) theoretically illustrated that an agent’s decision of portfolio allocation such as equity investments has an impact on savings-consumption decision and it is determined by the interest rates changes. On the other hand, researchers also make an effect to test rational expectation models of long term asset prices which state that the difference between the rationally expected returns of one set of assets and another set of assets called “risk premium” is equal to a constant over some time interval (Fama and Schwert, 1977; Campbell, 1987). An increase in interest rate would increase the required rate of return and the share price would decrease with the increase in the interest rate. An increase in interest rate would raise the opportunity cost of holding cash, and the tradeoffs to holding other interest bearing securities would lead to a decrease in share price as in Rigobon & Sack (2002). They indicate that an increase in short-term interest rate results in a decline in stock price and in an upward shift in the yield curve that becomes smaller at longer maturities. Elton & Gruber (1991) indicate that the determinants of share prices are rate of return and expected cash flows. Economics variables which have influence on future cash flows and required rate of returns therefore, impact share price. French (1987) documents Shows that stock return respond negatively to both the long term and short term interest rates.

However, Allen & Jagatianti (1997) indicate that the interest rate sensitively to stock returns has decreased dramatically since the late 1980’s and the early 1990’s because of the invention of interest rate derivative contracts used for hedging purposes. Campbell (1987) also rejected the rational expectation theory and showed that term structure of interest rates predicts stock returns. His results reveals that risk premium on stocks seem to move closely together with long term 20 year treasury bonds while relationship between risk premium on stocks and short term treasury bill is somewhat independent. Arango et al. (2002) empirically explored the relationship of the share prices on the Bogota stock market and the interest rate measured as the interbank loan interest rate in Colombia. Their results reveal an inverse and non linear relationship between share prices and the interest rates. Hardouvelis (1987) pointed out that there exists an inverse relationship between stock prices and changes of interest rates, and that this can be rationalized in terms of money supply surprises. The negative (positive) reaction of stock prices (interest rates) to money supply surprises can be explained in terms of the following two hypotheses. The expected real interest rate hypothesis claims that stock prices decline because the real component of nominal interest rates is expected to increase, thereby increasing the discount rate at which future cash flows are capitalized and also because higher interest rates affect real output adversely. The expected inflation hypothesis claims that stock prices decline because the inflation premium in nominal interest rates increases, which decreases the after-tax real dividends. The covariance between Interest rates and stock return is positive when shock creates great volatility in stock market. The research in this area generally reports a significant negative effect of changes in market interest rates on stock returns of both financial and nonfinancial companies (Lyne and Zumwalt, 1980; Prasad and Rajan, 1995; Dinenis and Staikouras, 1998; Reilly et al., 2007). However, more recent work (Ryan and Worthington, 2004; Czaja et al., 2009; Korkeamäki, 2011) suggests that the interest rate exposure has declined over time primarily due to the increased availability of improved tools for managing interest rate risk. The extraordinary growth in interest rate derivative markets and the expansion of corporate bond markets may have played a critical role in this context. Secondly, the sensitivity of stock returns to movements in long-term interest rates is substantially greater than the sensitivity to changes in short-term rates (Oertmann et al., 2000; Bartram, 2002; Czaja et al., 2009; Ferrer et al., 2010). Thirdly, nonfinancial firms in regulated and/or highly indebted industries such as Utilities, 6 Electricity, Real Estate and Technology and Telecommunications are commonly recognized as the most interest rate sensitive (Sweeney and Warga, 1986, Bartram, 2002; Reilly et al., 2007; Ferrer et al., 2010).

The expected inflation hypothesis claims that stock prices decline because the inflation premium in nominal interest rates increases, which decreases the after-tax real dividends. The covariance between Interest rates and stock return is positive when shock creates great volatility in stock market. The research in this area generally reports a significant negative effect of changes in market interest rates on stock returns of both financial and nonfinancial companies (Lyne and Zumwalt, 1980; Prasad and Rajan, 1995; Dinenis and Staikouras, 1998; Reilly et al., 2007). However, more recent work (Ryan and Worthington, 2004; Czaja et al., 2009; Korkeamäki, 2011) suggests that the interest rate exposure has declined over time primarily due to the increased availability of improved tools for managing interest rate risk. The extraordinary growth in interest rate derivative markets and the expansion of corporate bond markets may have played a critical role in this context. Secondly, the sensitivity of stock returns to movements in long-term interest rates is substantially greater than the sensitivity to changes in short-term rates (Oertmann et al., 2000; Bartram, 2002; Czaja et al., 2009; Ferrer et al., 2010). Thirdly, nonfinancial firms in regulated and/or highly indebted industries such as Utilities, 6 Electricity, Real Estate and Technology and Telecommunications are commonly recognized as the most interest rate sensitive (Sweeney and Warga, 1986, Bartram, 2002; Reilly et al., 2007; Ferrer et al., 2010).

Two primary reasons help to explain this result. First, the profits and, consequently, stock prices of heavily indebted corporations are strongly dependent on interest rate developments, as the cost of their debt is directly related to the level of interest rates. Second, regulated companies such as utilities
adjust the prices of their products and services with some lag behind cost increases due to the constraints imposed by regulators. An increase in interest rate will increase the required rate of return among the investors. As a consequence, the stock price will decrease. The relationship between interest rate and stock price is not direct and consistent (Frank, Reilley and Keith, 2001). The reason is that the cash flows from stock can change along with interest rate. 4 Their studies consider the following situation; (1) Interest rates rise due to an increase in the rate of inflation and corporate earnings like-wise experience an increase in growth because firms are able to increase prices line with the cost increases. Stock prices might be fairly stable because the negative effects of an increase in the required rate of return are partially or wholly offset by the increase in the growth rate of the earnings and dividends. (2) Interest rates increase but expected cash flows change very little because firms are not able to increase prices in response to higher costs. This would cause a decline in stock prices similar to what happens with the bond. They require a rate of return would increase, but the growth rate of dividend would be constant and stock prices would decline.

4. e. Relationship between Interest Rate and Stock Investment

Previous studies report evidence that there is a strong effect of interest rate on share prices. Interest rates are not only affective on share value but on stock demand by changing the value of bond which is an important alternative investment tool. Interest rate changes can impact share prices through two channels. First, affecting the rate at which the firm’s cash flows will be capitalized, and second, by changing expectations of future cash flows. Central Bank’s discount rates and target rate changes are often viewed by stock market participants as signals of the future direction of interest rates and inflation. Cook and Hahn (1988) and Smirlock and Yawitz (1985) found evidence supporting the favorable signal sent by rate decreases and the unfavorable signal sent by rate increases as the short-term stock market reaction (announcement effect) is negative to rate increases and positive to rate decreases. These studies of short-term stock returns establish that the interest rate changes produce announcement effects in financial markets and the reaction to the rate changes is very rapid. Reily and Brown (2000), however, complicated the matter a bit by stating that cash flows from stocks can change along with interest rates and it is not certain whether this change in cash flows will augment or offset the change in interest rates. However, Jensen and Johnson (1995) provide evidence suggesting that long-term stock market performance is correlated with changes in the Fed discount rate. The authors found that stock returns following discount rate decreases are higher and less volatile than returns following rate increases. Saunders and Yourougou (1990) investigated the subject from the side of firm’s assets and liabilities and show that differences in stock returns are partially explained by interest rate sensitivity of firm’s assets and liabilities. In the study, they found that securities that claim on real assets (industrial firm stocks) are less sensitive to unexpected changes in nominal interest rates than those that are claims on monetary assets (financial intermediary stocks).

Maysami & Koh (2000) indicates significant contribution of interest rate in the long-run relationship between stock prices and various macroeconomic variables and Wong at. al. (2005) finds relationship with interest rate and money supply (M1). Gjerde & Saettem (1999) find relations with interest rate but real economic activity. Uddin (2009) found a negative relationship between interest rates and stock prices; this relationship is more significant in developed countries than in developing countries. Nissim (2003) also investigated the relationship between changes in interest rate. Interest rate varies with time, default risk, inflation rate and productivity of capital, among others (Chandra 2004). Changes in interest rate encourage substitution between stock market and money market instrument, and speculative activities. According to Kevin (2000), the interest rate in the original financial sector of the economy is guided within preferred range through monetary policy. However, for the unorganized financial sector the rates are not controlled and may fluctuate widely depending upon the demand and supply of funds in the market. An investor has to consider the level and growth in interest rate prevailing in the different sectors of the economy, and evaluate their impact on the performance and profitability of companies.

4. f. Relationship between Exchange Rate and Stock Investment
The exchange rate has often been used to analyze stock prices in the belief that corporate earnings are significantly affected by fluctuations in currency value. The early researchers found no uniform pattern of reaction by the stock prices to exchange rate volatility. Its reason may be attributed to the fixed regime of the Bretton Wodds period when exchange rates hardly moved. However, the role of exchange rates in influencing domestic prices, including stock prices, has been heightened following the floating of major currencies after floating exchange rate regime in the beginning of 1973 and especially in recent years as the dollar exhibited unprecedented volatility in the 1980’s. Also, the dramatic increases in the world trade and capital movements have made the currency value as one of the main determinants of corporate profitability and share prices. These developments helped considerable interests increase in the exchange rate-share price linkage (Kim, 2003). There is no theoretical consensus on the relationship between stock prices and exchange rates. For example, while Aggarwal (1981) and Solnik (1987) found a positive relationship between share prices and Exchange rate, Soenen and Hennigar (1988) found a negative relationship. Aggarwal (1981) explored the relationship between the dollar exchange rates and changes in indices of stock prices. He used monthly U.S. stock price data and the effective exchange rate for the period of 1974-1978. The results, which were based on simple regressions, showed that share prices and the value of the U.S. dollar is positively related and this relationship is stronger in the short run than in the long run. Solnik (1987) examined the impact of several variables such as exchange rates, interest rates and changes in inflationary expectation on share prices. In the study, he used monthly data from nine markets (U.S., Japan, Germany, U.K., France, Canada, Netherlands, Switzerland and Belgium).

He concluded that exchange rates affect share prices positively in all countries except the U.S. Soenen and Hennigar (1988) employed monthly data on share prices and effective exchange rates for the period of 1980-1986. In the study, it is concluded that there is a strong negative relationship between share prices changes and value of the U.S. dollar. However, when they analyzed the relationship for a different period, they found a statistically significant negative impact of revaluation on share prices. Rittenberg (1993) examined the subject for Turkey and employed the Granger causality test to investigate the relationship between exchange rate changes and price level changes. Since the causality tests are sensitive to lag selection, he employed three different methods for optimal lag selection (an arbitrarily selected, Hsiao method and Kunst and Marin’s SMAR model). In all cases, he found that causality runs from price level change to exchange rate changes. Abdalla and Murinde (1997) applied co-integration approach to examine the long-run relation between stock price index and the real effective exchange rate for Pakistan, Korea, India and Philippines. They use month data from January 1985 to July 1994. Their study found no long-run relationship for Pakistan and Korea but did find a long-run relationship for India and Philippines. They also examine the issue of causation between stock prices and exchange rates.

4. g. Relationship between Inflation and Stock Investment

Investor’s level of protection against inflation is very important in stock markets. It is essential to investigate the effects of inflation on share prices especially in countries which have experienced high level of inflation as in Turkey. The result of the previous studies is contradictory. The explanation for the negative correlation between stock return and the level of inflation is first introduced by Richard (1981), and later extended by Kaul (1987). This hypothesis known as proxy hypothesis states that the negative correlation between inflation and future output growth. Since stock prices reflects firms future earnings potential, an economic downtown predicted by a rise in inflation will decrease stock prices and hence returns. Richard’s argument has been supported by Lee’s (1992) Granger causality test, by dynamic asset-pricing models of LeRoy (1984) and Marshall (1992). Some researchers argue that the negative correlation between inflation and returns is a result of investors shifting from stocks to interest-bearing assets in inflationary periods. Modigliani and Cohn (1979) claim that investors mistakenly use nominal discount rate because of money illusion. In this subject, Mascaro and Meltzer (1993) argue that inflation uncertainty is positively correlated with the level of inflation, and as increase in inflation uncertainty raise demand for money, thereby reducing the demand for stocks. Feldstein and Feldstein Summers (1979) stat that a rise in unanticipated inflation decreases firms
equity values by reducing the real value of depreciation tax shield. Opposite to these negative correlation arguments, Kessel (1956) claims that a rise in unanticipated inflation will increase the firm’s equity values if the firm is a net debtor. Kassel positive correlation argument has been supported by Fosback (1991), Abdullah and Hayworth (1993) and Graham (1996). These researchers supported Fishers opinions. According to them, the observed negative relation between inflation and share prices appears to contradict with Fishers proposition that common stocks are hedges against inflation (Chopin and Zhong, 2000). Wongbanpo & Sharma (2002) investigate the role of selected macroeconomic variables (GNP, the consumer price index, the money supply, the interest rate, and the exchange rate) on the stock prices in five ASEAN countries. They find a negative long run relationship between stock prices and interest rates in Philippines, Singapore and Thailand but, a positive relation in Indonesia and Malaysia.

High inflation in Indonesia and Philippines influences the long run negative relation between stock prices and the money supply, while the money growth in Malaysia, Singapore and Thailand provokes the positive effect for their stock markets. Diaz and Jareno (2005) investigate the short run response of daily stock prices in the Spanish market to the announcements of inflation news on a sectarian level. The aim was to study the relationship between unanticipated inflation news and stock returns, focusing our analysis on the sector of activity. The methodology based on time-series event-study methodology included a large number of recent papers used these approach to analyze the repercussion of some macroeconomic announcements on returns of different market indexes, interest rates or stocks. The result shown coefficients of all sectors in the preannouncement period are not statistically significant. No evidence of a significant relationship between abnormal returns and total inflation during this period is found. The proximity to the announcement originates uncertainty in the market but these abnormal returns were independent of the final amount of the total inflation rate. Moreover the coefficients of all sectors are always positive and higher than coefficients corresponding to the pre-announcement period.

4. h. Relationship between Money Supply and Stock Investment

The first studies about relationship between money supply and share prices are prepared by Palmer (1970) and Spirinkel (1971). These researchers show that money supply changes affect the share prices. Then, Ho (1983), Smirlock and Yawitz (1985), Cook and Hahn (1988), Fung and Lie (1990), Malliaris and Urrutia (1991), Fosback (1991), Abdullah and Hayworth (1993), Lin (1993), Fitzpatrick (1994), Alexakis et al. (1996) and Thorbecke (1997) found similar results in their studies. The common view about this subject is that an increase in money supply causes an increase in share prices. Changes in money supply, first of all, affect the financial market via direct effects on general economy. If increase rate of money supply is high, market interest rates will decrease because of increase in the money amount of loan able fund. Also, high increase rate in money supply can raise share prices by an increase in firms’ operations and economic growth (Durukan, 1999). On the other hand, the evidence that stock market leads money supply was found by Cooper (1974) and Rozeff (1974). More recently, this finding is supported by James (1985) and Thornton (1993). Lee (1992), Rigobon and Sack (2001), Durham (2003) could not find a causality between money supply and share prices. But Kwon and Shin (1999) found a mutual causality between them for Korean economy. In this study, as used in Abdullah and Hayworth (1993), Fitzpatrick (1994) and Alexakis (1996), M1 is used as a measure of money supply.

As for Malaysia, there are a few shining studies which are Habibullah & Baharumshah (1996), Ibrahim (1999), Ibrahim & Yusoff (2001), Ibrahim Aziz (2003), Yusuf (2006) and Wongbanpo & Sharma (2002). Yusof, Majid & Razali (2006). Habibullah & Baharumshah (1996) employ co-integration analyses to evaluate the informational efficiency of the Malaysian stock market index and sectoral indices using monthly data from January 1978 to September 1992. Considering real output and money supply (M1 and M2) in the co integrating relation, they find no evidence for co-integration between them. Also they indicate that Malaysian stock market is informational efficient in the long run. Ibrahim & Yusuf (2001) noted that money supply exerts a positive effect on the stock prices in the short run. However, money supply and stock prices are negatively associated in the long run. For the
money supply, documents immediate positive liquidity effects and negative long-run effects of money supply expansion on the stock prices. Monetary policy tool is money supply. Hoe the money supply affects the stock market returns is also a matter of empirical proof. According to conventional economic theory by Sakara (1975) argue that if an increase in money supply leads to economic expansion via increased cash flows, stock price would benefit from economic growth lead by such expansionary monetary policy. In the case of Japan the study shows that money supply is positively related to the stock market. Beside interest rate and money supply inflation can also affects the movement of stock prices.

Conceptual Framework

Independent Variable
- Inflation
- Exchange Rate

Moderate Variable
- Money Supply
- Interest Rate

Dependent Variable
- Stock Investment
5. Hypotheses

H.1.a: Inflation of share investment recommendation will not affect investor’s attitude toward share investment.
H.1.b: Inflation of share investment recommendation will affect investor’s attitude toward share investment.
H.2.a: Exchange rate will not affect investor attitudes toward share investment intention.
H.2.b: Exchange rate will affect investor attitudes toward share investment intention.
H.3.a: Share investment intention is not associated with the money supply policy of a government.
H.3.b: Share investment intention is associated with the money supply policy of a government.
H.4.a: Share investment intention is not associated with the interest rate policy of a government.
H.4.b: Share investment intention is associated with the interest rate policy of a government.
H.5.a: Inflation of share investment recommendation will not affect investor intention to share investment.
H.5.b: Inflation of share investment recommendation will affect investor intention to share investment.
H.6.a: Exchange rate will not affect investor intention to share investment.
H.6.b: Exchange rate will not affect investor intention to share investment.

6. Research Design

Research design is crucial as it acts as a blueprint for the collection, measurement and analysis of data. In this study, we selected formal research design, because this study required structured and précised way to show the relationship among different variables and to test hypotheses.

Under the method of data collection, we selected communication study. Because we wanted to communicate with different investor through questionnaire to understand their perception about the interest rate, money supply, inflation and exchange rate policy which have significant impact on their share investment intention.

Our study was causal explanatory as we tried to explain the relationship among different variable such as we tried to discover whether share investment recommendation can affect investor share investment intention or not.

Our study reflected a snapshot of one point in time. We studied on 20 investors as samples for and they did not need to be studied again for the same study.

We focused on statistical study. Our study was designed for testing hypotheses quantitatively which required a good number of samples which reflected the investor.

Our research occurred in actual environment conditions. This option was chosen because we had to receive information from our sample on field and relationships in variables of our study were required. Participants were aware of our presence and knew the reason of being selected as sample. We tried to find out their natural behavior as much as we could via questionnaire. Sample unit of research was based on investors who invest in the share market. In order to gather information, participants have been asked to fill up questionnaires. The investor for the current research was share investor in Bangladesh. In Bangladesh share investment occurred by the investor only in the Dhaka, Chittagong and some of the district town via over the counter market. In particular, the study revealed that the sample consisted of only male and also most of them are full time service holder and part time share investor.
7. Sampling

It is very much impossible to ask each and every person of our target investor and come to know about their information about the share investment. So, to conduct our research and to obtain all possible data, we have applied the sampling. The sample is a subset of the investor that is used to estimate the characteristics of the entire share investor. The first and foremost question we have been asked that whom should we to survey. To work on this category, we had to know about the gender, age, income per month and educational qualification information. We have done some categorization based on which we have decided our sample unit.

Gender- our target investor gender might be male or female.

Age- Our target investor might be in the age group of 18-25, 26-35, 36-45, 46 and above they would be employee and part time investor in the share market.

Income- Our target investor would be consists all generation or middle income level. Therefore, their estimated income is 2000-35000, 36000-50000, 51000-75000, 76000-100000, more than 100000.

Education- They must be complete at least S.S.C or equivalent, H.S.C. or equivalent, Masters, Ph.D.

Location- All the respondents are from Dhaka city.

To conduct this research, we chose a number of investor to whom we did questionnaire survey. As we didn’t have that much budget, resource and time, we could effectively do our study with twenty (20) investors in the share market. Sample procedure is a very important issue of sampling and data collection. By sample procedure, we decided our sample unit and size and how we should choose them. In this case, we have applied the probability sample procedure. Here, we used our Simple Random sample so that investor of the share market has a known and equal chance of selection.

8. Instrument

As questionnaire need to appear in a reasonable sequence that could convinced the respondent and also increasingly gives the respondent confidence and trust in both the participant and the interviewer. Hence, questionnaire development process will be start by identifying the related information used to develop the question such as the independent variable and moderate variable that had been identify in the earlier stage of the research process. We have 20 questions in our questionnaire except gender, age, income per month, educational qualification question and in our research the Independent Variables are Inflation (has 6 question), Exchange rate (has 6 question) and have two moderate variable that Interest rate (has 4 question), Money supply (has 4 question). The dependent variable of this research is macroeconomic variable affects the stock investment. After that, it proceed by choosing the best out of the questions, so that this questionnaire can directly targeted towards the respondents who are the investor in the share market. The measurement of the questionnaire items in this study is by means of “five-point of Likert scale from 1 to 5” rating from strongly agreed to strongly disagree. The questionnaire was designed to draw out information on respondents’ gender, age, income per month, educational qualification their experience in stock investment. The questionnaire is being divided into 3 types of five scales which is [1 (Strongly disagree), 2 (agree), 3 (Neither Agree nor Disagree), 4 (Disagree), 5(Strongly Disagree)] for question no. 1 to 20.
9. Data Collection

There are two types of data collection Primary Data & Secondary Data. Primary Data are those collected for the first time. Secondary Data are those which have already been collected and analyzed by someone else. In the context of Bangladeshi share investor, as researchers we used primary data to examine the research problem and verify hypothesis. The questionnaire was distributed among 20 respondents in different areas (especially stock transaction area like- DSE, different type of brokerage house) of Dhaka city. These respondents are selected based on the criteria above mentioned. Before giving the questionnaire, the purpose of the study and questions were explained to the respondents so they can easily fill the questionnaire with relevant responses.

10. Data Analysis

After collecting, the completed questionnaires were coded and entered into SPSS sheet for analysis:

Reliability Analysis
Hypotheses Analysis
Spearman’s correlation
Pearson’s Correlation
Regression Analysis

10. a. Reliability Analysis

Internal consistency reliability is the accuracy or precision of a measuring instrument, which is the extent of unidimensionality that is the detail item (questions) measure the same thing. A commonly accepted rule of thumb for describing internal consistency using Cronbach’s alpha is as follow-

\[
\alpha \geq 0.9 \text{ Excellent }\\
0.7 \leq \alpha < 0.9 \text{ Good }\\
0.6 \leq \alpha < 0.7 \text{ Acceptable }\\
0.5 \leq \alpha < 0.6 \text{ Poor }\\
\alpha < 0.5 \text{ Unacceptable }
\]

In our reliability statistics inflation, interest rate Cronbach's Alpha is .805  
In our reliability statistics inflation, money supply Cronbach's Alpha is .682  
In our reliability statistics exchange rate, interest rate Cronbach's Alpha is .716  
In our reliability statistics exchange rate, money supply Cronbach's Alpha is .7322

<table>
<thead>
<tr>
<th>Item</th>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability Statistics(exchange rate, interest rate)</td>
<td>.716</td>
<td>2</td>
</tr>
<tr>
<td>Reliability Statistics(exchange rate, money supply)</td>
<td>.732</td>
<td>2</td>
</tr>
<tr>
<td>Reliability Statistics(inflation, interest rate)</td>
<td>.805</td>
<td>2</td>
</tr>
<tr>
<td>Reliability Statistics(inflation, money supply)</td>
<td>.682</td>
<td>2</td>
</tr>
</tbody>
</table>
## 10. b. Spearman’s Correlation

Spearman’s correlation is used to see whether there is any relationship among variables or not. The correlation coefficient or $\rho$ (rho) $\neq 0$ and significance or $\alpha$ (alpha) $<0.05$ there will be a relationship between variables.

<table>
<thead>
<tr>
<th></th>
<th>Inflation</th>
<th>Exchange rate</th>
<th>Interest rate</th>
<th>Money supply</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Spearman's rho</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation</td>
<td>Correlation Coefficient</td>
<td>1.000</td>
<td>.683**</td>
<td>.603**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.</td>
<td>.001</td>
<td>.005</td>
<td>.002</td>
</tr>
<tr>
<td>N</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Exchange rate</td>
<td>Correlation Coefficient</td>
<td>.683**</td>
<td>1.000</td>
<td>.603**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.001</td>
<td>.</td>
<td>.005</td>
<td>.003</td>
</tr>
<tr>
<td>N</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Interest rate</td>
<td>Correlation Coefficient</td>
<td>.603**</td>
<td>.603**</td>
<td>1.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.005</td>
<td>.005</td>
<td>.</td>
<td>.001</td>
</tr>
<tr>
<td>N</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Money supply</td>
<td>Correlation Coefficient</td>
<td>.661**</td>
<td>.626**</td>
<td>.684**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.002</td>
<td>.003</td>
<td>.001</td>
<td>.</td>
</tr>
<tr>
<td>N</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

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

In the Hypothesis 1(Inflation), correlation shows that (correlation coefficient “Inflation $\rho=1.000$”, “Exchange rate correlation coefficient $\rho=.683$ and sig. (2-tailed) $\alpha=.001$”, “Interest rate correlation coefficient $\rho=.603$ and sig. (2-tailed) $\alpha=.005$”, “Money supply correlation coefficient $\rho=.661$ and sig. (2-tailed) $\alpha=.002$”.

In the Hypothesis 2(Exchange rate), correlate shows that (correlation coefficient “Inflation $\rho=.683$ and sig. (2-tailed) $\alpha=.001$”, “Exchange rate correlation coefficient $\rho=1.000$”, “Interest rate correlation coefficient $\rho=.603$ and sig. (2-tailed) $\alpha=.005$”, “Money supply correlation coefficient $\rho=.626$ and sig. (2-tailed) $\alpha=.003$”.

In the Hypothesis 3(Interest rate), correlate shows that (correlation coefficient “Inflation $\rho=.603$ and sig. (2-tailed) $\alpha=.005$”, “Exchange rate correlation coefficient $\rho=.603$ and sig. (2-tailed) $\alpha=.005$”, “Interest rate correlation coefficient $\rho=1.000$”, “Money supply correlation coefficient $\rho=.684$ and sig. (2-tailed) $\alpha=.001$”.

In the Hypothesis 4(Money supply), correlate shows that (correlation coefficient “Inflation $\rho=.661$ and sig. (2-tailed) $\alpha=.002$”, “Exchange rate correlation coefficient $\rho=.626$ and sig. (2-tailed) $\alpha=.003$”, “Interest rate correlation coefficient $\rho=.684$ and sig. (2-tailed) $\alpha=.001$”, “Money supply correlation coefficient $\rho=1.000$”.

c. Pearson’s correlation

Pearson’s correlation is used to see the strength of relationship between variables. If significance or $p<0$, then null hypotheses (H0) will be rejected and alternate one will be considered.

.00-.19 “very weak”
.20-.39 “weak”
.40-.59 “moderate”
.60-.79 “strong”
.80-1.0 “very strong”

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Inflation</th>
<th>Exchange rate</th>
<th>Interest rate</th>
<th>Money supply</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inflation</strong></td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.687**</td>
<td>.577**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.001</td>
<td>.008</td>
<td>.004</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td><strong>Exchange rate</strong></td>
<td>Pearson Correlation</td>
<td>.687**</td>
<td>1</td>
<td>.601**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.001</td>
<td>.005</td>
<td>.009</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>Pearson Correlation</td>
<td>.577**</td>
<td>.601**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.008</td>
<td>.005</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td><strong>Money supply</strong></td>
<td>Pearson Correlation</td>
<td>.612**</td>
<td>.570**</td>
<td>.694**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.004</td>
<td>.009</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

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

In the Hypothesis 1 (Inflation), correlation shows that (correlation coefficient “Inflation $\gamma = 1$”, “Exchange rate correlation coefficient $\gamma = .687$ and sig. (2-tailed) $p = .001$”, “Interest rate correlation coefficient $\gamma = .577$ and sig. (2-tailed) $p = .008$”, “Money supply correlation coefficient $\gamma = .612$ and sig. (2-tailed) $p = .004$”.

In the Hypothesis 2 (Exchange rate), correlate shows that (correlation coefficient “Inflation $\gamma = .687$ and sig. (2-tailed) $p = .001$”, “Exchange rate correlation coefficient $\gamma = 1$”, “Interest rate correlation coefficient $\gamma = .601$ and sig. (2-tailed) $p = .005$”, “Money supply correlation coefficient $\gamma = .570$ and sig. (2-tailed) $p = .009$”.

In the Hypothesis 3 (Interest rate), correlate shows that (correlation coefficient “Inflation $\gamma = .577$ and sig. (2-tailed) $p = .008$”, “Exchange rate correlation coefficient $\gamma = .601$ and sig. (2-tailed) $p = .005$”, “Interest rate correlation coefficient $\gamma = 1$”, “Money supply correlation coefficient $\gamma = .694$ and sig. (2-tailed) $p = .001$”.

In the Hypothesis 4 (Money supply), correlate shows that (correlation coefficient “Inflation $\gamma = .612$ and sig. (2-tailed) $p = .004$”, “Exchange rate correlation coefficient $\gamma = .570$ and sig. (2-tailed) $p = .009$”, “Interest rate correlation coefficient $\gamma = .694$ and sig. (2-tailed) $p = .001$”, “Money supply correlation coefficient $\gamma = 1$”.
10. d. Regression Analysis

Here R² values represent how much a dependent variable is explained by the independent variable and if \( p \leq 0 \), then null hypotheses (H₀) will be rejected and alternate one will be considered.

In the Hypothesis 1 (Inflation), R² = 0.686. Table shows that the descriptive analysis of the hypothesis 1.

Model Summary

<table>
<thead>
<tr>
<th>Equation 1</th>
<th>Multiple R</th>
<th>.838</th>
</tr>
</thead>
<tbody>
<tr>
<td>R Square</td>
<td>.702</td>
<td></td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>.686</td>
<td></td>
</tr>
<tr>
<td>Std. Error of the Estimate</td>
<td>8.820</td>
<td></td>
</tr>
</tbody>
</table>

ANOVA

<table>
<thead>
<tr>
<th>Equation 1</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3301.511</td>
<td>1</td>
<td>3301.511</td>
<td>42.445</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>1400.115</td>
<td>18</td>
<td>77.784</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4701.625</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Coefficients

<table>
<thead>
<tr>
<th>Equation 1</th>
<th>Unstandardized Coefficients</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-2.643</td>
<td>8.288</td>
<td>-.319</td>
<td>.753</td>
</tr>
<tr>
<td>Inflation</td>
<td>3.405</td>
<td>.523</td>
<td>1.296</td>
<td>.000</td>
</tr>
</tbody>
</table>

In the Hypothesis 2 (Exchange rate) R² = 0.663. Table shows that the descriptive analysis of the hypothesis 2.

Model Summary

<table>
<thead>
<tr>
<th>Equation 1</th>
<th>Multiple R</th>
<th>.814</th>
</tr>
</thead>
<tbody>
<tr>
<td>R Square</td>
<td>.663</td>
<td></td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>.644</td>
<td></td>
</tr>
<tr>
<td>Std. Error of the Estimate</td>
<td>9.773</td>
<td></td>
</tr>
</tbody>
</table>

ANOVA

<table>
<thead>
<tr>
<th>Equation 1</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3375.553</td>
<td>1</td>
<td>3375.553</td>
<td>35.345</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>1719.034</td>
<td>18</td>
<td>95.502</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5094.587</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Coefficients

<table>
<thead>
<tr>
<th>Equation 1</th>
<th>Unstandardized Coefficients</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-17.625</td>
<td>11.550</td>
<td>-1.526</td>
<td>.144</td>
</tr>
<tr>
<td>Exchange rate</td>
<td>4.201</td>
<td>.707</td>
<td>1.323</td>
<td>.5945 .000</td>
</tr>
</tbody>
</table>
In the Hypothesis 3 (Interest rate) R Square=0.620. Table shows the descriptive analysis of the hypothesis 3.

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equation 1</td>
</tr>
<tr>
<td>Multiple R</td>
</tr>
<tr>
<td>R Square</td>
</tr>
<tr>
<td>Adjusted R Square</td>
</tr>
<tr>
<td>Std. Error of the Estimate</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ANOVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sum of Squares</td>
</tr>
<tr>
<td>Equation 1</td>
</tr>
<tr>
<td>Regressio n</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unstandardized Coefficients</td>
</tr>
<tr>
<td>Equation 1</td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>Interstate</td>
</tr>
</tbody>
</table>

In the Hypothesis 4(Money supply) R Square=0.629. Table shows that the descriptive analysis of the hypothesis 4.

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equation 1</td>
</tr>
<tr>
<td>Multiple R</td>
</tr>
<tr>
<td>R Square</td>
</tr>
<tr>
<td>Adjusted R Square</td>
</tr>
<tr>
<td>Std. Error of the Estimate</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ANOVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sum of Squares</td>
</tr>
<tr>
<td>Equation 1</td>
</tr>
<tr>
<td>Regressio n</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unstandardized Coefficients</td>
</tr>
<tr>
<td>Equation 1</td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>Money supply</td>
</tr>
</tbody>
</table>

Linear regression analysis estimates the coefficients of a linear equation, involving one or more independent variables (that best predict the value of the dependent variable). R- R is the square root of R-Squared and is the correlation between the observed and predicted values of dependent variable. R-Square - This is the proportion of variance in the dependent variable which can be explained by the
independent variables. Adjusted R-square- This is an adjustment of the R-squared that penalizes the addition of extraneous predictors to the model.

Limitations

I. Short Span of Time-
We did not have enough time to conduct the survey. Because, we were given a limited short span of time and we had to finish the study within that time period.

II. Ignorance of Respondents-
As we are students, many people did not take this research seriously. Many people ignored our request to become the survey unit. They did not agree to do interview or fill up questionnaires.

III. Lack of Knowledge of the respondent-
Most of Bangladeshi people have a lower knowledge of English even the graduates from reputed university. As the questionnaires are in English, some people miss the question perspective and give the wrong response.

IV. Less experience-
We are now just doing our course on business research and for the first time we are doing any survey. That is why; we do not have any past experiences on doing survey. But still we have made it with the help of our course instructors and his lessons of throughout the classes.

V. Small Sample Size-
As our budget and capacity was limited, we could not plan to make a large sample size to get more accurate possible result of our survey.

VI. Capability of Access-
As our target investor also belong to whole Bangladesh, it became almost impossible to reach them and conduct the survey. So, our survey is only Dhaka based. Though we have done the study on the people from who is our familiar. But if we have had that access, it would be more effective report.

VII. Lack of knowledge about share investment-
Most of the people in our country who are usually invest in the share market those have not any theoretical knowledge about the share market about how to run the share market and how it is link to the macroeconomic variable.

12. Significance of the study

Although share investment is widely discussed and important issue in today’s world but despite a lot of efforts by the investor especially in the developing country, share investment intention is still under developing. Due to the increase of the cost about the people living specially in the town level so people are try to generate more income and the income source that’s why they come to the share market. Actually all of the people are very conscious about the economic condition in the present time. People are not keeping their money in the bank they invest in the share market for the high return, getting the yearly dividend, safe zone because each of the country economic policy favor to the share market after the recession in 2007. Another important issues for the share investment by an investor can easily liquid their money. At the recent time students, female are engaging in the share market and obviously some of the investor have the huge amount of theoretical knowledge about the share investment. In the developing country in Bangladesh the share market expands day by day and it is a good sign for an economy.

13. References


Dwight Grant & Gautam Vora [2003], Analytical implementation of the Ho and Lee model for the short interest rate, Global Finance Journal, 14(1), 19-47.

James J. Kung, Lung-Sheng Lee [2009], Option pricing under the Merton model of the short rate, Mathematics and Computers in Simulation, 80(2), 378-386.


Zhenyu Cui, Don Mcleish [2010], Comment on ‘Option pricing under the Merton model of the short rate’ by Kung and Lee, Mathematics and Computers in Simulation, In Press, Accepted Manuscript, Available online.

Rosario Dell’Aquila, Elvezio Ronchetti & Fabio Trojani [2003], Robust GMM analysis of models for the short rate process, Journal of Empirical Finance, 10(3), 373-397


Make-to-Order Manufacturing Performance in Malaysian SMEs

Shaladdin Muda, Universiti Malaysia Terengganu, Malaysia
Mohd Hussin, Universiti Malaysia Terengganu, Malaysia
Muhammad Abi Sofian Abdul Halim, Universiti Malaysia Terengganu, Malaysia

Abstract

Malaysian SMEs play an important role in developing the national industry and have become the backbone of economic growth. As discussed by scholars, the concept of best practice manufacturing has become prominent in promoting better manufacturing performance. Therefore, this paper investigates the relationship of best practice manufacturing and manufacturing performance among Malaysian SMEs that are involved in the sector of make-to-order. There are four attributes – Generate Enquiries/sales, Operations and Capacity, Human Resources, and General Continuous Improvement – that have been identified in best practice manufacturing. This survey research used Multiple Regression Analysis to verify the associations between variables, as well as to measure the manufacturers’ perceptions. This study used data from 329 manufacturers who are engaged with SMEs in Malaysia. The results of multiple regression analysis indicate that the factors of Operations and Capacity, Human Resources, and General Continuous Improvement opportunities in manufacturing are significantly associated with Manufacturing Performance. Meanwhile, the factor of Generate Enquiries rejected the hypothesis. Generally, these findings provide evidence that Best Practice Manufacturing is crucial to Malaysian SMEs as well as to upgrade their manufacturing performance, especially those manufacturers that practice make-to-order. Finally, this finding gives a clear picture to the Malaysian SMEs in developing the system as well as to practice concerning the best manufacturing guideline in promoting better manufacturing performance.

Keywords: Best practice manufacturing, Manufacturing Performance, Malaysian SMEs

Introduction

In Malaysia, small and medium enterprises (SMEs) play an important role in the economic development of the country, and have become the backbone of all economic sectors (Afdiman danRosnah, 2011). According to Mazharul and Azharul (2011), SMEs provide job opportunities, strengthen industrial relations, increase the market and generate export earnings. In addition, SMEs complement and support the industry's network of industrial relations with the ability to produce high value-added products and services for domestic and export markets, thus contributing significantly to the Gross Domestic Product (Hashim, 2000). In fact, the roles played by SMEs not only concern the advancement of technology, but also as the engine of economic development of many countries, such as Singapore, Hong Kong, South Korea, Taiwan, Mexico and Malaysia. Hence, Malaysia has developed strong policies and initiatives to maximize the growth potential of SMEs and translate these aspirations into an effective action plan for the foundation of sustainability and competitiveness of SMEs in Malaysia.

According to Afdiman and Rosnah (2011), Malaysian SME manufacturers need to be aware of the manufacturing practices as well as to improve the performance and competitiveness, especially for those companies that practice make-to-order manufacturing. Muda and Hendry (2002) pointed out that most of the existing best practices are only based on specific industry sectors and are less suitable for make-to-order. In fact, many researchers have employed similar terms, such as manufacturing
processes and operations, for the entire manufacturing sector. In addition, most models of best practice are less focused on the type of production and are less appropriate for the make-to-order sector. Fundamentally, the operation of make-to-order is based on producing a special kind of product to meet customer specification and not producing standardized parts to stock. Therefore, only a few standard products can be produced if it is considered economic to do so (Beaumont, 2005). However, how many of the SMEs in Malaysia that practice the make-to-order manufacturing are really concerned about the importance of best practice and whether it contributes to their manufacturing performance? Therefore, the objective of this paper is to measure the contribution of best practice manufacturing to the performance of SMEs that practice make-to-order processing.

Development of Malaysian SMEs

As a developing country, Malaysia has a strong and vibrant industry and has become a hub for a highly developed manufacturing industry in the region. The Malaysian economy has metamorphosed from a commodity-based to a manufacturing-based economy since the mid-1980s. The growth and structural transformation of the economy over the last three decades in Malaysia occurred within the framework of a liberal trade and investment regime, as well as the extensive use of industrial policies. Some of the major industries in Malaysia are rubber, textiles, basic metals, food processing, petroleum, and electronics. Consequently, small and medium industries (SMEs) in Malaysia are also seen to have increased rapidly in the era of the new millennium. Additionally, Mazharul and Azharul (2011) mentioned that small and medium scale industries have become important in providing employment opportunities, strengthening industrial linkages, piercing markets and generating export earnings.

In order to standardize the concepts of SMEs, the National SME Development Council (2005) has approved a common definition across all sectors of the economy that will be adopted by all government agencies, private companies and financial institutions. In general, the definition of SMEs is dependent upon two factors – the number of employees and annual sales turnover or revenue generated by a business in a year. Further, Malaysian SMEs can be grouped into three categories: micro, small, or medium (see table 1). It can be concluded that manufacturing and other related manufacturing industries are defined based on enterprises with full-time employees not exceeding 150 or with an annual sales turnover not exceeding RM25 million (SME Corporation, 2012).

The concept and definition of SMEs have become important in implicating the formulation, relevant policies and delivering assistance. Meanwhile, Reeduan et al. (2011) mentioned that to be precise, an appropriate definition that describes the character of SMEs is needed of all parties, including policymakers, affected agencies and researchers to support and foster the development of SMEs as a whole. Hence, Hashim and Abdulah (2000) argued that the definition should not only be created from quantitative data but that qualitative criteria should be considered. Fundamentally, the definition of Malaysian SMEs is simplified in table 1.

Previously, the growth of SMEs was contributed by the manufacturing, mining and quarrying, and agriculture sectors, which recorded higher growth rates compared to their overall respective sectors (SME Corp 2012). The contribution from SMEs to the Gross Domestic Product in the manufacturing sector increased from 29.1% for 1996 to 31.4% in 2005 (SME Corp, 2009). While, in 2007, 96% of establishments in the manufacturing sector were SMEs, contributing 30.7% of total manufacturing output and 26.3% of total value added. In addition, more than 400,000 or 31.6% of the total workforce was employed in this sector. According to the SME Corp Annual Report (2007), the growth in productivity of SMEs stood at 5.3%, with a value of RM46.6 million in 2007 up from RM44.2 million the previous year. The productivity gain was attributed to higher value to 11.2%. However, the percentage was expected to decline to 7.6% in 2011 and 6.0% due to the global added creation and capacity utilization in selected sub-sectors. The Gross Domestic Product for SMEs manufacturing showed a growth of 7.2% in year 2007 compared to the previous year 5.7%. However, there was a reduction in GDP from 2008 to 2009 with 0.7% and -7.0%, respectively. Through the economic
recovery efforts of the government, this percentage rose sharply in 2010 even though the economy remained uncertain (SME Corp, 2012). The Klang Valley is the largest concentration of manufacturing companies due to the facilities and infrastructure provided, such as industrial parks, transportation and the links between the nation’s capital cities with other states in Malaysia (Reeduan, 2011).

**Best practice manufacturing and Make-to-Order**

Many companies have taken on board new ways of manufacturing practice in response to the revolution in the world of manufacturing (Muda, 2002). The manufacturing companies in Malaysia from various sectors have also been affected by the process of evolution in many ways, especially manufacturing practices. This has been perceived to be due to the competitiveness in the market and the capability for survival in the world of manufacturing. Manufacturers around the world see this transformation as necessary, as it is seen to be essential for innovation and improvements in competitive situations (Muda, 2002). Nowadays, the inclination of the manufacturing industries is to give more labels or names to the concepts and principles of practices, such as Total Quality Management (TQM), Lean Manufacturing (lean practice), Total Productive Maintenance (TPM), and Manufacturing Best Practices (MBP).

As mentioned by Muda (2002), it is important for SMEs to practice best practice manufacturing as well as to create efficiency in producing, especially for those manufacturers involved in the make-to-order sector. Daut and Uthman (2006) argued that manufacturers in Malaysia need to transform the mode of production from make-to-stock to make-to-order. This is due to the market in Malaysia not being very widespread, and in which the operating costs and raw materials are increasing. Therefore, best practice manufacturing in make-to-order will involve the manufacturers in new production methods as well as transform them to become more competitive thereby making the company's position more secure.

**Literature Review**

There is no special attention on best practice manufacturing for make-to-order companies in Malaysia. However, many manufacturers are trying to adopt the concept of best manufacturing principles in the management of their manufacturing, such as 5S, Lean, Six Sigma, TQM, and more. This is seen in the studies of some researchers in Malaysia concerning the best practices applied by manufacturers of SME status. Chen et al. (2009) argued that the Malaysian plant operators need to change the mode of production from Make-to-Stock to Make-to-Order. Rosnah (2004) also suggested eight components that are considered as best practices: management commitment, customer satisfaction, global competitiveness, quality practices, vendor and materials management, operational flexibility, innovation and technology and control facilities. Meanwhile, best Practices in Malaysian SMEs have been addressed by Afdiman and Rosnah (2011) with a focus on eight practices; namely, customer focus, quality, management, SCM, human resource development, production process, marketing strategy, and technology and innovation.

The concept of best manufacturing practices or world class manufacturing has started attracting the attention of researchers, manufacturers and policymakers. Fundamentally, the term best manufacturing is synonymous with the industry to reflect a superior level of success of a company (Flynn et al., 1999). Many studies have shown the positive impact and importance of best practice for manufacturing companies including Small and Medium Enterprises (SMEs). However, little attention has been given to the study of best practice manufacturing for make-to-order companies, especially in Malaysia. Instead, the SME sector is seen to be lagging behind in the adoption of the new philosophy and implementation of new best practices. This is supported by Muda and Hendry (2002) who stated that the current general counsel, program improvements and other best practice does not apply to make-to-order companies. Muda and Hendry (2003), specifically built the make-to-order model named SHEN, which originally contained 14 principles, each comprising five steps, which were grouped into four categories, as shown in table 2: generate enquiries/sales, operations and capacity, human resources and general continuous improvement. The 12 principles of SHEN, include most of
the philosophical and world-class manufacturing practices, such as Lean, Criteria of world class manufacturing, Total Quality Management, Job Shop and Just in Time Manufacturing. This makes the SHEN model more robust and comprehensive, and also enables the process to be more systematically practiced by the manufacturers.

Limitations of Study

There are two types of limitation in this study, namely, limitation of theory and limitation of population. In terms of limitation of theory, this study focused on the best practice manufacturing concept, manufacturing performance and the make-to-order approach. Consequently, four factors for best practice manufacturing are structured as independent variables in this study: Generate Enquiries/Sales, Operations and Capacity, Human Resources, and General Continuous Improvement. Meanwhile, the factor of Manufacturing Performance is the dependent variable. Furthermore, the limitation of population covers the group of companies that are registered as SMEs in Malaysia and practice the make-to-order in their operation. According to the report of the SME Corporation (2012), there are 732 SMEs in Malaysia that are involved in the sector of make-to-order, located in the East Region, South Region, Central Region, and North Region.

Hypotheses and Theoretical Framework

To measure the impact of best practice manufacturing to the manufacturing performance among SMEs in Malaysia, four hypotheses have been summarized from the outcome of the literature review, these are:

H1: It is hypothesized that SMEs, which are best practice in generate enquiries, will be more effective in the manufacturing performance.
H2: It is hypothesized that SMEs, which are best practice in operations and capacity, will be more effective in the manufacturing performance.
H3: It is hypothesized that SMEs, which are best practice in human resources, will be more effective in the manufacturing performance.
H4: It is hypothesized that SMEs, which are best practice in general continuous improvement, will be more effective in the manufacturing performance.

In general, the four hypotheses discussed by Muda and Hendry (2003), and Chen et al. (2009) in the literature has been portrayed in the theoretical framework in figure 1.

Methodology

Fundamentally, the main analysis of this study is to answer the hypotheses that were constructed before. An inferential analysis was used to test the regression between variables based on the hypotheses. A self-administered survey was conducted for data collection in Malaysia. Furthermore, data were analyzed using univariate statistics to check the distribution of frequencies and to detect possible errors that occur during data entry. All statistical analyses were made using the program of Social Package for Social Sciences (SPSS). This research used the statistical techniques of multiple regression in order to measure the relationship of standardized regression coefficients or Beta value.

Measurement

As previously mentioned, in any research methodology, the construction of the hypotheses is dictated by the choice of the research method. Therefore, the researcher has structured the questionnaire into six parts. The first part contains information concerning the demographic profiles of the manufacturers among the Malaysian SMEs. Furthermore, the factor of Generate Enquiries becomes the second part of the questionnaire, followed by the Operations and Capacity, Human Resources and General Continuous Improvement. In respect of the literature, several items have been constructed for each variable based on indicators, as shown in table 3. The questionnaire was designed to determine
the level of best practice manufacturing among SMEs in Malaysia. Participants had to evaluate the best practice manufacturing to the manufacturing performance on a five-point Likert scale (1=Strongly disagree; 2=Disagree; 3=Agree/Disagree; 4=Agree; 5=Strongly agree).

Population and sampling

In total, the 732 SME companies that practice make-to-order in Malaysia and have been registered, constitute the population of this study. As stated by Krejcie and Morgan (1970), based on the region, 328 companies were chosen as the sample in this study. A total of 34 respondents were gathered in the East-Coast region, and 95 SMEs were visited. Meanwhile, for the South region, out of 164 SMEs that were visited, a total of 73 respondents cooperated. For the Central region – Kuala Lumpur, Perak and Selangor – a total of 350 SMEs were visited and 171 questionnaires were collected. The last is the North region, which consists of Penang, with Kedah and Perlis combined. A total of 123 SMEs were visited and 51 questionnaires were collected.

Questionnaires were distributed by visiting the respondents in companies, as well as by mail and e-mail. This questionnaire was developed to gain information from all respondents. Open-ended and Closed-ended questions were included in the questionnaire, thus allowing the respondent to use their own words and choose an answer from among the several alternative answers (Reeduan, 2011).

Results and Discussion

Description of manufacturers’ profile

In table 5, the results indicated that most companies operating in Malaysia are medium scale for which the frequency was 185, which is equal to 56.4%, and the rest are small scale with 143 respondents (43.6%). In terms of position, there is not much difference in terms of frequency and percentage. Furthermore, in respect of the number of years operated, most companies had operated for more than 10 years (58.8%), followed by 6 to 9 years (29.3%) and 1 to 5 years (11.9%). Meanwhile, in terms of location, 52.1% operated in the West region, followed by 22.0% in the South region, 55.9% in the North region, and only 10.1% operated in the East region.

Reliability

As the starting point of the relationship analysis, reliability becomes a crucial analysis in the study of consistency and stability of the questionnaire. The first run of the test, which was administered on 328 respondents, yielded a high Cronbach’s alpha value. This indicates that most of the variables investigated in this study were reliable, as shown in table 6.

R Square & ANOVA

In the relationship of best practice manufacturing and manufacturing performance, the results indicated that the multiple correlation coefficient (R) using all predictors simultaneously is 0.386 and the R² is 0.149, which means that 14.9% of the variance in manufacturing performance among SMEs in Malaysia can be predicted from the factors of best practice manufacturing, as mentioned in table 7. Moreover, the results for R square showed that most SMEs in Malaysia are still in the early stage of best practice manufacturing. However, the factors Generate Enquiries/Sales, Operations and Capacity, Human Resources, and General Continuous Improvement are still important as well as the foundation to construct the manufacturing performance among SMEs in Malaysia.

The significance level produced by the ANOVA table showed a p value of less than 0.05 implying that the model is valid and that the result for the relationship is significant. Therefore, the hypotheses are accepted.
Relationship between variables

In studying the relationship between best practice manufacturing and manufacturing performance, the results indicate that three out of four independent variables are significantly associated, these are operations and Capacity (B=.228, p=.002), Human Resource (B=-.132, p=.030) and General Continuous Improvement (B=.234, p=.000). These findings support H2, H3, and H4. Meanwhile, the factor of General Enquiries (B=.065, p=0.310) is not significantly associated with the identification of Manufacturing Performance as claimed in H1. Therefore, the results of H2, H3, and H4 are accepted in agreement with the findings of Muda and Hendry (2003), and Chen et al. (2009).

The results of this research indicate that most SMEs in Malaysia are not totally aware of the importance of the General Enquiries factor in relation to the manufacturing performance. In fact, the indicators of General Enquiries show that most of the SMEs in Malaysia do not really integrate the functions of production and marketing in all processes, design for products, processes and improved supplier relationships, and collaborate with customers. Therefore, Malaysian SMEs, especially those companies that are involved in make-to-order have to create strong operations and marketing.

Conclusion

In summary, this study indicates that the majority of Malaysian SMEs that practice make-to-order manufacturing are seen to have benefited from the implementation of best practice manufacturing. The findings also indicate that most Malaysian SMEs are concerned about the importance of best practice manufacturing in the building of manufacturing performance in their operations. In order to predict the relationship of the independent variables and dependent variable, multiple regression analysis was used to measure the relationship in this research. The results indicate that three out of four independent variables (e.g. Generate Enquiries/Sales, Operations and Capacity, Human Resources, and General Continuous Improvement) are significantly related to manufacturing performance. Therefore, the independent variables of best practice manufacturing become prominent as factors that contribute to the manufacturing performance in Malaysian SMEs. In general, these findings give a positive result for H2, H3, and H4, as claimed by Muda and Hendry (2003), and Chen et al. (2009). This study tried to resolve the research questions and hypotheses. As noted in the literature, Malaysian SMEs also need to develop best practice manufacturing in their operations and provide better performance in manufacturing in the context of performance appraisal, customer relationship, supply, and human resources.

In conclusion, best practice manufacturing is essential for SMEs that are involved in the make-to-order sector for long-term survival. Best practice manufacturing activities, such as Generate Enquiries/Sales, Operations and Capacity, Human Resources, and General Continuous Improvement lead to manufacturing performance. As recommended, SME manufacturers need to give more training and development courses, as well as develop the knowledge and skills with the latest production techniques.
References


National SME Development Council (2005), Definitions for Small Medium Enterprises in Malaysia, Approved for Adoption by National SME Development Council, Issued by Secretariat to National SME Development Council Bank Negara Malaysia

Reeduan, M (2011), “Total quality management in the small and medium sized manufacturing companies in Malaysia”, thesis report under Faculty of Management and Economy, Universiti Malaysia Terengganu


Notes

Table 1: Definition of SMEs

<table>
<thead>
<tr>
<th>Type</th>
<th>Annual Sales Turnover</th>
<th>Total Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Less than RM250,000</td>
<td>Less than 5 full time employees</td>
</tr>
<tr>
<td>Small</td>
<td>Between RM250,000 and RM10 million</td>
<td>Between 5 and 50 full time employees</td>
</tr>
<tr>
<td>Medium</td>
<td>Between RM10 million and RM25 million</td>
<td>Between 51 and 150 full time employees</td>
</tr>
</tbody>
</table>
Table 2: The factors of best practice manufacturing

<table>
<thead>
<tr>
<th>Factors</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generate Enquiries/sales</td>
<td>Integrate the functions of production and marketing in all processes</td>
</tr>
<tr>
<td></td>
<td>Design for products, processes and improved supplier relationships</td>
</tr>
<tr>
<td></td>
<td>Collaborate with customers</td>
</tr>
<tr>
<td>Operations and Capacity</td>
<td>Simplify the shop floor</td>
</tr>
<tr>
<td></td>
<td>Improve scheduling and workload control to cut flow times</td>
</tr>
<tr>
<td></td>
<td>Cut the start-up/changeover time and improve preventive maintenance</td>
</tr>
<tr>
<td></td>
<td>Improve information flow</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Make essential improvements in skills and flexibility</td>
</tr>
<tr>
<td></td>
<td>Everybody involved in change and strategic planning to achieve a unified purpose</td>
</tr>
<tr>
<td>General Continuous Improvement</td>
<td>Improve quality and implement appropriate performance measures</td>
</tr>
<tr>
<td></td>
<td>Gather customer feedback and benchmarking</td>
</tr>
<tr>
<td></td>
<td>Promote/market/sell every improvement</td>
</tr>
</tbody>
</table>

Table 3: The questionnaire

<table>
<thead>
<tr>
<th>Factors</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Variable Generate Enquiries/sales</td>
<td>Integrate the functions of production and marketing in all processes</td>
</tr>
<tr>
<td></td>
<td>Design for products, processes and improved supplier relationships</td>
</tr>
<tr>
<td></td>
<td>Collaborate with customers</td>
</tr>
<tr>
<td>Operations and Capacity</td>
<td>Simplify the shop floor</td>
</tr>
<tr>
<td></td>
<td>Improve scheduling and workload control to cut flow times</td>
</tr>
<tr>
<td></td>
<td>Cut the start-up/changeover time and improve preventive maintenance</td>
</tr>
<tr>
<td></td>
<td>Improve information flow</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Make essential improvements in skills and flexibility</td>
</tr>
<tr>
<td></td>
<td>Everybody involved in change and strategic planning to achieve a unified purpose</td>
</tr>
<tr>
<td>General Continuous Improvement</td>
<td>Improve quality and implement appropriate performance measures</td>
</tr>
<tr>
<td></td>
<td>Gather customer feedback and benchmarking</td>
</tr>
<tr>
<td></td>
<td>Promote/market/sell every improvement</td>
</tr>
<tr>
<td></td>
<td>Implementation of occupational health and safety system</td>
</tr>
<tr>
<td></td>
<td>Design and branding</td>
</tr>
<tr>
<td>Dependent Variable Manufacturing Performance</td>
<td>Manufacturing performance appraisal</td>
</tr>
<tr>
<td></td>
<td>Customer relationship performance evaluation</td>
</tr>
<tr>
<td></td>
<td>Supplier performance evaluation</td>
</tr>
<tr>
<td></td>
<td>Human resources performance evaluation</td>
</tr>
</tbody>
</table>
### Table 4: The population and sample

<table>
<thead>
<tr>
<th>Region</th>
<th>Sample</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Region</td>
<td>33</td>
<td>95</td>
</tr>
<tr>
<td>South Region</td>
<td>72</td>
<td>164</td>
</tr>
<tr>
<td>Central Region</td>
<td>171</td>
<td>350</td>
</tr>
<tr>
<td>Northern Region</td>
<td>52</td>
<td>123</td>
</tr>
<tr>
<td>Total</td>
<td>328</td>
<td>732</td>
</tr>
</tbody>
</table>

### Table 5: The descriptive profile

<table>
<thead>
<tr>
<th>Items</th>
<th>Frequency</th>
<th>Percent</th>
<th>Items</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation</td>
<td></td>
<td></td>
<td>Position</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small</td>
<td>143</td>
<td>43.6</td>
<td>Top Level</td>
<td>162</td>
<td>49.4</td>
</tr>
<tr>
<td>Medium</td>
<td>185</td>
<td>56.4</td>
<td>Medium</td>
<td>166</td>
<td>50.6</td>
</tr>
<tr>
<td>Total</td>
<td>328</td>
<td>100.0</td>
<td>Total</td>
<td>328</td>
<td>100.0</td>
</tr>
<tr>
<td>Structure of Company</td>
<td></td>
<td></td>
<td>No. of Years Operated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single ownership</td>
<td>169</td>
<td>51.5</td>
<td>1 to 5 years</td>
<td>39</td>
<td>11.9</td>
</tr>
<tr>
<td>Partnership</td>
<td>109</td>
<td>33.2</td>
<td>6 to 10 years</td>
<td>96</td>
<td>29.3</td>
</tr>
<tr>
<td>Others</td>
<td>50</td>
<td>15.2</td>
<td>Over 10 years</td>
<td>193</td>
<td>58.8</td>
</tr>
<tr>
<td>Total</td>
<td>328</td>
<td>100.0</td>
<td>Total</td>
<td>328</td>
<td>100.0</td>
</tr>
<tr>
<td>Location</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Region</td>
<td>33</td>
<td>10.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Region</td>
<td>72</td>
<td>22.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Region</td>
<td>52</td>
<td>15.9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Region</td>
<td>171</td>
<td>52.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>328</td>
<td>100.0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 6: Reliability Analysis

<table>
<thead>
<tr>
<th>No</th>
<th>Variables</th>
<th>No. of items</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Independent Generate Enquiries/Sales</td>
<td>12</td>
<td>.668</td>
</tr>
<tr>
<td>2</td>
<td>Independent Operations and Capacity</td>
<td>14</td>
<td>.798</td>
</tr>
<tr>
<td>3</td>
<td>Independent Human Resources</td>
<td>8</td>
<td>.707</td>
</tr>
<tr>
<td>4</td>
<td>Independent General Continuous Improvement</td>
<td>17</td>
<td>.810</td>
</tr>
<tr>
<td>5</td>
<td>Dependent Manufacturing Performance</td>
<td>15</td>
<td>.759</td>
</tr>
</tbody>
</table>

Table 7: The variance of a manufacturing performance

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>RStd. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.386a</td>
<td>.149</td>
<td>.139</td>
<td>.46416</td>
</tr>
</tbody>
</table>

Table 8: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>12.216</td>
<td>3.054</td>
<td>14.176</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>69.587</td>
<td>.215</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>81.803</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 9: The significance study

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.590</td>
<td>.324</td>
<td>4.908</td>
<td>.000</td>
</tr>
<tr>
<td>GenEnquiries</td>
<td>.092</td>
<td>.091</td>
<td>.065</td>
<td>1.017</td>
</tr>
<tr>
<td>OpeCapacity</td>
<td>.279</td>
<td>.089</td>
<td>.228</td>
<td>3.123</td>
</tr>
<tr>
<td>HumResources</td>
<td>-.142</td>
<td>.065</td>
<td>-.132</td>
<td>-2.185</td>
</tr>
<tr>
<td>Improvement</td>
<td>.227</td>
<td>.057</td>
<td>.234</td>
<td>3.995</td>
</tr>
</tbody>
</table>

Figure 1: The framework for the hypotheses

BEST PRACTICE MANUFACTURING

- Generate Enquiries/Sales
- Operations and Capacity
- Human Resources
- General Continuous Improvement

H1
H2
H3
H4
Manufacturing Performance

© Copyright by Author(s)  June 7-10, 2015
Co-workers’ social undermining behaviour, Trust in Co-workers and employees’ work behaviours

L.D. Ong, University of Malaysia, Malaysia
A. Tay, University of Malaysia, Malaysia

Abstract

This study examines the extent to which trust in co-workers mediates the relationships between co-workers’ social undermining behaviour and employees’ work behaviours. The mediating role was investigated using Structural Equation Modeling (SEM) from 502 employees in Malaysia. The SEM analysis showed that co-workers’ social undermining behaviour had indirect relationships with employees’ work behaviours via the mediating role of trust in co-workers. The results of this study highlighted the importance of curbing social undermining behaviour in the workplace in order to instil trust among employees and better work behaviours in the workplace.

Keywords: social undermining behaviour; trust in co-workers; organizational citizenship behaviour; counterproductive work behaviour; Malaysia
Examining the Impact of Workforce Reduction on Surviving Employees in the Egyptian Organization

Deena Saleh, Hacettepe University, Turkey

Abstract

This present study aims at investigating the impact of downsizing on organizational survivors in the Egyptian organization. It aims at unleashing the impact of procedural justice on symptoms of survivor syndrome. It was hypothesized that higher levels of perceived procedural justice lead to higher levels of organizational attachment, less levels of voluntary turnover. To answer proposed research questions, a mix of quantitative and qualitative methods was implemented to determine the impact of procedural justice on symptoms of survivor syndrome. The results obtained from the sample (N=101) survivors supported previous hypotheses and reflected the fact that when survivors perceive layoffs to be unfairly implemented, they suffer from high symptoms of survivor syndrome.

Keywords: downsizing, layoffs, survivors, Survivor Syndrome, job security, procedural Justice, attachment, voluntary turnover, absenteeism
Through the Looking Glass: Emotional Abuse, Self-Blame and Their Relationship with Temperament and Depression in Adolescents

Castilho, P., University of Coimbra Portugal, Portugal
Marques, C., University of Coimbra Portugal, Portugal
Matos, A. P., University of Coimbra Portugal, Portugal
Arnarson, E., University of Iceland, Iceland
Craighead, W. E., Emory University, United States of America

Abstract

Background: Temperament plays an important role in the development and maintenance of adolescent psychopathology, particularly in depression. The temperament dimensions of negative or positive emotionality are associated with depression in childhood, adolescence, and in adult life. Early traumatic experiences, such as emotional abuse, constitute risk factors for the development of negative cognitive styles and depressive symptoms. The use of dysfunctional regulation strategies (e.g., self-blame) seems to be a significant factor in the onset and exacerbation of depressive symptoms in multiple samples. Nevertheless, the contribution of these variables for the maintenance of depression remains inadequately studied. Objectives: The present study explored the mediator role of early emotional traumatic experiences and self-blame in the relationship between negative emotionality trait and depressive symptoms in an adolescent sample. Method: A sample of 2318 adolescents from a general community population completed several self-report questionnaires measuring depressive symptomatology (CDI), adolescent temperament (EATQ-R Short Form), early emotional traumatic experiences (CTQ-SF), and emotional regulation strategies (CERQ). Results: Results revealed that early emotional traumatic experiences and self-blame mediated the relationship between negative emotionality and depressive symptoms. Nevertheless, the negative emotionality trait is still directly associated with depressive symptoms. These data seem to suggest that adolescents with negative emotionality trait that recall early traumatic experiences and tend to self-blame are more vulnerable to depression. Conclusions: Some important clinical implications should be addressed. Treatment should include therapeutic strategies focused on self-blame and early traumatic experiences (emotional abuse) in order to diminish negative affect. Cognitive contextual approaches seem appropriate.

Keywords: negative emotionality, emotional abuse, self-blame, depressive symptoms, adolescence

Introduction

Depression in adolescence

Depression is a common, debilitating and chronic mental health problem. Recent data regarding prevalence, severity, and comorbidity of adolescent clinical depression are provided by the National Comorbidity Study Adolescent Supplement (NCS-A; Avenevoli, Swendsen, He, Burstein, & Merikangas, 2015). Based on interview data with adolescents aged 13–18, lifetime and 1-year prevalence of Major Depressive Disorder (MDD) were 11.0% and 7.5%, respectively; for severe MDD, rates were 3.0% and 2.3%. MDD becomes increasingly more prevalent across adolescence and is one of the most potent risk factors for suicidality (Lewinsohn, Rohde, & Seeley, 1994), and
approximately 5-10% of depressed adolescents commit suicide within 15 years of their first MDD episode (Weissman et al., 1999). In fact, the transition into adolescence is often accompanied by increases in negative affect and depressive symptoms (Cole et al., 2002; Hyde, Mezulis, & Abramson, 2008; Nolen-Hoeksema & Girgus, 1994). Depressive disorder during adolescence modifies the normal development and impairs several life domains of teens. Data from longitudinal studies demonstrate that depressed adolescents still report the impairment in social, family and academic functioning in adulthood (Reinherz et al., 2012).

The onset of depression occurs early in life, between 13-15 years of age (Arnarson & Craighead, 2009; Seeley, Rohde, Lewinsohn, & Clarke, 2002), and has high rates of comorbidity with other psychiatric disorders, such as anxiety disorders (Garber, 2006). Although there are no differences in the gender ratio of depression during childhood, a gender difference begins to emerge during mid-adolescence (Hankin et al., 1998; Hilt & Nolen-Hoeksema, 2014). Beginning in adolescence, girls experience an increase in depression-related symptoms (e.g., rumination, feelings of hopelessness) relative to their male counterparts; after 15, girls are twice as likely as boys to have experienced an episode of clinical depression (Cyranowski, Frank, Young, & Shear, 2000). Nolen-Hoeksema and Girgus (1994) and this gender difference continues into adulthood (Rohde et al., 2013). Thus, for girls, the transition into adolescence is a vulnerable period for the development of depression.

Nolen-Hoeksema and Hilt (2009) propose an integrated biopsychosocial model suggesting that adolescents at greater risk of developing depression have risk factors including genetic, neurobiological and psychosocial vulnerabilities. Empirical research has highlighted several risk factors for development of depression in adolescence, such as previous depressive episodes, anxiety disorders, loss of a parent, trauma, and parental depression (Dobson & Dozois, 2008). Self-consciousness and self-critical thinking increase during the transition into adolescence, and they are related to depression (Rudolph, Hammen, & Daly, 2006). Indeed, individuals who share a specific emotional disposition characterized by harsh self-criticism and a negative attributional style may be most susceptible to develop depressive symptoms in adolescence.
Temperament

According to Rothbart and Bates (2006) temperament consists in emotional reactivity patterns, with a biological basis, characterized by stability, and it can be influenced by environmental experiences and heredity. Temperament has been conceptualized according to two domains: positive emotionality and negative emotionality. Positive emotionality refers to sensitivity to reward cues, involvement, adventurousness, behavioral activation, and sociability. Negative emotionality is characterized by sensitivity to negative stimuli, anxiety, sadness, anger, irritability, and negative mood reactivity (Dougherty, Klein, Durbin, Hayden, & Olino, 2010; Garber, 2006). The majority of studies based on the relationship between temperament and depression have exclusively focused on the reactive aspects of temperament. Some of these studies refer to the tripartite model of anxiety and depression (Clark & Watson, 1991), in which anxiety and depression are associated with high levels of negative affectivity.

Predominant temperament models have proposed that negative emotionality constitutes a potent affective temperamental risk to depression. Davies and Windle (2001) characterized difficult temperament as a pattern of inflexibility, low positive mood, withdrawal, and poor concentration; several studies stressed the association between this temperament pattern and depressive symptoms (Dougherty et al., 2010). Moreover, Clark, Watson, and Mineka (1994) have developed the tripartite model which posits that lower positive emotionality specifically predisposes to depression, although negative emotionality non-specifically predisposes to a variety of forms of psychopathology. In this sense, several studies reported the relationship of depression with low levels of positive emotionality and high levels of negative emotionality. Also, they emphasized the prospective character of positive and negative emotionality in the development of depression in adults (Durbin & Shafir, 2008).

Trauma

Approximately two-thirds of children and adolescents will experience at least one traumatic event, creating a critical need to identify effective child trauma interventions. Research has shown that the exposure to traumatic experiences, such as physical, sexual, emotional abuse or neglect in childhood is associated with the development of psychological problems in adolescents and adults (Bernstein et al., 2003). In line with MacMillan et al. (2001) individuals who experienced abuse in childhood are three to four times more likely to develop depression over their lifespan.

Unlike physical or sexual abuse, diverse studies have suggested that emotional abuse makes a specific contribution for the development of a cognitive vulnerability to depression because the abuser has an impact for the development of child’s negative cognition (Courtney, Kushwaha, & Johnson, 2008; Rose & Abramson, 1992). Courtney et al. (2008) conducted a longitudinal study that corroborated the finding that traumatic experiences are a significant predictor of depressive symptoms, and over time adolescents who report emotional abuse are more likely to experience hopelessness and depressive symptoms. Children that experienced severe and chronic abuse tend to create negative self-images and interpret the abuse directed toward the self, doing self-blame attributions (Alloy, Zhu, & Abramson, 2003; Harter, 2012; Klein, Torpey, & Bufferd, 2008).

The growing body of evidence has studied emotional abuse as a direct predictor of depressive symptomatology and not as a mediator. Nevertheless, the processes by which trauma experiences lead to depression remain unclear (Paredes & Calvete, 2014).

Emotion regulation skills

Adolescence is an important period for the development of increasingly complex emotion regulation skills. The adolescents’ incapacity to solve their developmental tasks leads to the assimilation of maladaptive strategies and psychopathology in the future. Thus, the development of adaptive coping strategies is crucial to future adjustment in adulthood (Nolen-Hoeksema, 2012; Öngen, 2010). Impaired emotion regulation leads to mental illnesses often expressed in adolescence (Pitskel, Bolling, Kaiser, Crowley, & Pelphrey, 2011).
Emotion regulation is assumed as an important factor in determining well-being or successful functioning (Cicchetti, Ackerman, & Izard, 1995). Thompson (1994) postulates emotion regulation as extrinsic and intrinsic processes to monitor, evaluate, and modify emotional reactions to accomplish certain individual goals. On the other hand, Gross (1998), defines emotion regulation as the “processes by which individuals influence which emotions they have, when they have them, and how they experience and express these emotions” (p. 275). Despite multiple definitions, all recognize the ability of adaptive human functioning to coordinate the action of emotional systems with the environment (Durbin & Shafir, 2008). Each emotion regulation strategy adopted by the adolescent brings a different implication for well-being, and some regulation strategies are more adaptive than others (Gross & John, 2003).

Several studies have emphasized gender differences in the use of coping emotion regulation strategies (Öngen, 2010). Although the divergence of empirical evidence for the use of some emotion regulation strategies regarding gender, studies have consistently found that adolescent girls tend to report more rumination than boys (Nolen-Hoeksema, 2012; Zimmermann & Iwanski, 2014). Studies have found that the use of emotional and thought suppression, rumination, self-blame and catastrophizing could lead to depression, whereas willingness to self-disclose negative emotions and positive reappraisal are associated with no history of depression (Garnefski & Kraaij, 2006; Öngen, 2010; Rude & McCarthy, 2003). Crow, Cross, Powers and Bradley (2014) suggested that emotion regulation problems are possible mediator between emotional abuse and later depression. It is assumed that when young individuals are exposed to emotional abuse, they become emotionally dysregulated and consequently become more predisposed to psychopathology (Compas, Jaser, & Benson, 2008; Hilt & Nolen-Hoeksema, 2009; Silk, Steinberg, & Morris, 2003).

Depression has been consistently related to rumination, self-blaming and catastrophizing (maladaptive strategies) and inversely related to positive reappraisal (adaptive strategy) (Garnefski, Boon, & Kraaij, 2003; Garnefski & Kraaij, 2006; Garnefski, Kraaij, & Spinhoven, 2001).

**Aims**

This study with adolescents aimed to explore how negative emotionality, memories of emotional abuse, and self-blame are linked to depression. Given that negative emotionality can be linked to depressive symptoms, we sought to examine the indirect effects of temperament on depression, through emotional abuse and self-blame. It was expected that higher levels negative emotionality would be associated with higher levels depressive symptoms, which would be associated with high emotional abuse, which, in turn, would be associated with cognitions of self-blame.

Thus, the three investigated hypotheses were (Figure 1): a) the effect of the negative emotionality on depressive symptomatology is mediated by emotional abuse experience; b) the effect of the negative emotionality on depressive symptomatology is mediated by self-blame; c) emotional abuse and self-blame as mediators in the relationship between negative emotionality and depressive symptomatology.
Method

Participants

The participants of this study were recruited as a part of a Portuguese Project: “Prevention of depression in Portuguese adolescents: Study of the efficacy of an intervention with adolescents and parents”. The sample included 2318 adolescents from the general population, in which were 880 boys (38%) and 1438 were girls (62%), ranged from 13 and 15 years of age ($M = 13.90; SD = 1.32$), and attending the 8th and 9th grades in public schools. We did not find significant differences between genders on age ($t_{(2302)} = .689, p = .491$).

Procedure

Permission to conduct the study was obtained from national entities that regulate scientific research. Schools were contacted in order to request their participation. After their approval, authorization was also obtained from students and their parents. Anonymity was ensured to the participants as well as confidentiality of the data. After obtaining all permission required, the research protocol was applied in classrooms before any psychological intervention. Subjects that did not complete the entire assessment protocol were excluded from the study. The project from which this investigation was taken aims to prevent the first major depressive episode that usually happens at 15 years old. Therefore only subjects between 13 and 15 years old were targeted.

Measures

Temperament

*Early Adolescent Temperament Questionnaire-Revised Short Form* (EATQ-R Short Form, Ellis & Rothbart, 2001; Portuguese Version: Matos & Paiva, 2009). The EATQ-R Short Form is a revised version of the Early Adolescent Temperament Questionnaire (Capaldi & Rothbart, 1992). It comprises 65 items that assess 12 aspects of children temperament (activation control, affiliation, attention, fear, frustration, high-intensity pleasure, inhibitory control, perceptual sensitivity, pleasure sensitivity, shyness, aggression and depressive mood). Participants rated items on 1 (almost always untrue about you) to 5 (almost always true about you). To illustrate, some questions of this questionnaire: “If I'm mad at somebody, I tend to say things that I know will hurt their feelings”, “It often takes very little to make me feel like crying”, “I get frightened riding with a person who likes to speed”, “I get sad when a lot of things are going wrong”. Ellis e Rothbart (2001) reported a Cronbach’s coefficient alpha ranging from .65 to .82 for the 12 temperament scales.
Trauma

Childhood Trauma Questionnaire-Short Form (CTQ-SF, Bernstein et al., 2003; Portuguese version: Matos & Pereira, 2012). The CTQ-SF is a 28-item questionnaire that assesses emotional physical and sexual abuse and emotional and physical neglect in childhood. Item responses are scored in a 5-point Likert scale, with higher scores indicating higher levels of childhood abuse/neglect. To illustrate, some questions of this questionnaire: “People in my family called me things like “stupid”, “lazy”, or ugly””, “I thought that my parents wished I had never been born”, “People in my family said hurtful or insulting things to me”. Bernstein et al. (2003) reported good internal consistency reliability for each of the CTQ-SF scales: Emotional Abuse = .87, Physical Abuse = .83, Sexual Abuse = .92; Physical Neglect = .61, and Emotional Neglect = .91.

Emotion regulation

Cognitive Emotion Regulation Questionnaire (CERQ, Garnefski, et al., 2001; Portuguese version: Matos & Serra, 2009). The CERQ is a self-report questionnaire that assesses specific cognitive emotional regulation strategies experienced by the adolescents when facing negative life events. Participants rated 36-statements on a 5-point Likert scale ranging from 1 (almost never) to 5 (almost always). To illustrate, some questions of this questionnaire: “I feel that I am the one to blame for it”, “I feel that I am the one who is responsible for what has happened”, “I think about the mistakes I have made in this matter”. The CERQ has 9 subscales that match 9 cognitive emotional regulation strategies: self-blame, rumination, catastrophizing, other-blame, acceptance, positive reappraisal, refocus on planning, putting into perspective, positive refocusing. Garnefski et. al (2001) obtained alpha coefficients ranging from .68 to .83.

Depressive symptomatology

Children’s Depression Inventory (CDI, Kovacs, 1985; Portuguese version: Marujo, 1994). The CDI is a 27-item self-report measure that assesses 2-week of depressive symptoms in 7 to 17 year-old children. It has three answering options that range from 0 (no problem) to 2 (severe problem) and the total score can reach 54 points. Kovacs (1985) found good psychometric qualities in this inventory, with excellent internal consistency (Cronbach’s alpha coefficients ranging .83 to .94). In the Portuguese version (Marujo, 1994) a unifactorial structure was found, with an alpha coefficient of .80 for the total scale.

Results

Data analysis

All analyses were conducted using PASW (Predictive Analytics Software), version 18 (SPSS Inc., Chicago, IL, USA) for PCs. Gender differences were tested using independent t-test. Pearson correlation coefficients were performed to explore the relationship between predictor variables, outcome variables, and the mediators (Cohen, Cohen, West, & Aiken, 2003; Tabachnick & Fidell, 2007). Cohen’s guidelines (1988) were used for describing the effect sizes of reported correlations (i.e. small for correlations around .10, medium for those near .30, and large for correlations at .50 or higher). Significance was set at the .05 level. Mediation models were tested through PROCESS (Hayes, 2013), a computational tool for path analysis-based moderation and mediation analysis. Using this SPSS macro, serial multiple mediation models (“model 6” in Hayes, 2013) with two mediator variables were estimated. A bootstrapping procedure, using 5000 resamples, was used to assess unconditional indirect effects. Bootstrapping is a nonparametric resampling procedure that is recommended for testing indirect effects, as it does not require the assumption of normality of the sampling distribution (Hayes, 2013). This procedure creates 95% bias-corrected and accelerated confidence intervals (BCa CIs) of the indirect effects, with an indirect effect considered to be significantly different from zero if zero is not contained within the lower and upper CIs.
Preliminary data analyses

Preliminary data analyses were conducted to examine the violation of tests’ assumptions. An inspection of the values of skewness and kurtosis did not reveal serious biases (Skewness values < 3 and Kurtosis values < 10; Kline, 2005). The analysis of the outliers was conducted through the graphic representation of the results (box plot). Furthermore, a series of tests were conducted to examine the suitability of the current data for regression analyses. Analysis of residuals scatter plots showed that the residuals were normally distributed, had linearity and homoscedasticity. Also, the independence of the errors was analyzed and validated through graphic analysis and the value of Durbin–Watson (values ranged between 1.756 and 2.006). Regarding multicollinearity or singularity amongst the variables, Variance Inflation Factor (VIF) values indicated the absence of β estimation problems (VIF < 5). Overall, these results suggest that these data are adequate for regression analyses.

Descriptives

The means, standard deviations and Cronbach’s alphas for all variables used are presented on Table 1. All scales showed reasonable to good internal consistencies (Pestana & Gageiro, 2005). The internal consistencies obtained in this study were in line with original versions of scales (Bernstein et al., 2003; Garnefski et al., 2001; Kovacs, 1985).

Table 1.
Means, standard deviations and Cronbach’s Alpha for EATQ-R, CTQ-SF, CERQ and CDI

<table>
<thead>
<tr>
<th></th>
<th>M</th>
<th>SD</th>
<th>α</th>
</tr>
</thead>
<tbody>
<tr>
<td>EATQ-R-Short Form</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative Emotionality</td>
<td>14.34</td>
<td>2.10</td>
<td>0.77</td>
</tr>
<tr>
<td>CTQ-SF</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emotional Abuse</td>
<td>6.83</td>
<td>2.92</td>
<td>0.76</td>
</tr>
<tr>
<td>CERQ</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-blame</td>
<td>2.46</td>
<td>0.83</td>
<td>0.78</td>
</tr>
<tr>
<td>CDI</td>
<td>11.38</td>
<td>7.11</td>
<td>0.90</td>
</tr>
</tbody>
</table>

Note: EATQ-R Short Form: Early Adolescent Temperament Questionnaire-Revised Short Form; CTQ-SF: Childhood Trauma Questionnaire-Short Form; CERQ: Cognitive Emotion Regulation Questionnaire; CDI: Children’s Depression Inventory.

Gender differences were tested and significant differences were found in all variables, with girls scoring significantly higher than boys (Table 2). Adolescent girls, compared to adolescent boys, showed higher mean scores in temperament, recall of emotional abuse, self-blame, and depressive symptoms.
Table 2. 
*Student's t-test differences between males and females for EATQ-R, CTQ-SF, CERQ and CDI*

<table>
<thead>
<tr>
<th></th>
<th>Males (n = 880)</th>
<th>Females (n = 1438)</th>
<th>t</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negative Emotionality (EATQ-R Short Form)</td>
<td>76.68</td>
<td>15.02</td>
<td>83.35</td>
<td>15.34</td>
</tr>
<tr>
<td>Emotional Abuse (CTQ-SF)</td>
<td>6.58</td>
<td>2.51</td>
<td>6.95</td>
<td>3.08</td>
</tr>
<tr>
<td>Self-blame (CERQ)</td>
<td>2.29</td>
<td>0.78</td>
<td>2.50</td>
<td>0.88</td>
</tr>
<tr>
<td>Depressive Symptomatology (CDI)</td>
<td>9.24</td>
<td>6.14</td>
<td>12.39</td>
<td>7.85</td>
</tr>
</tbody>
</table>

*Note:* EATQ-R = Early Adolescent Temperament Questionnaire-Revised Short Form; CTQ-SF = Childhood Trauma Questionnaire-Short Form; CERQ = Cognitive Emotion Regulation Questionnaire; CDI = Children's Depression Inventory.

**Correlational analyses**

Pearson correlation coefficients were performed to explore the association between temperament, memories of emotional abuse, self-blame, and depressive symptomatology (Table 3). Positive and low to moderate correlations were obtained. It was found that negative emotionality is associated with traumatic experiences of emotional abuse, self-blame and depression. Memories of emotional abuse were related to self-blame and depression and finally, self-blame was also correlated with depression.

Table 3. 
*Pearson correlation coefficients between EATQ-R, CTQ-SF, CERQ and CDI*

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Negative Emotionality (EATQ-R Short Form)</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Emotional Abuse (CTQ-SF)</td>
<td>.38**</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Self-blame (CERQ)</td>
<td>.49**</td>
<td>.33**</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>4. Depressive Symptomatology (CDI)</td>
<td>.57**</td>
<td>.47**</td>
<td>.53**</td>
<td>–</td>
</tr>
</tbody>
</table>

*Note:* EATQ-R = Early Adolescent Temperament Questionnaire-Revised Short Form; CTQ-SF = Childhood Trauma Questionnaire-Short Form; CERQ = Cognitive Emotion Regulation Questionnaire; CDI = Children’s Depression Inventory. **p < .01
Mediation Analysis

To test the indirect effect of negative emotionality on depressive symptomatology through traumatic experiences of emotional abuse and self-blame, serial multiple mediation models were estimated. The effects of the IV on the proposed Ms (paths a1 and a2), the effects of M1 and M2 on the DV partialling out the effect of IV and the other M variable (paths b1 and b2), the direct effect of IV on DV after controlling for M1 and M2 (path c’), and the total effect of IV on DV (path c) are presented in Figure 2. Gender was entered as covariate.

Figure 2. Mediator effect of emotional abuse and self-blame in the relationship between temperament and depressive symptomatology.

***p < .001

The model accounted for 47% of the explained variance in depression. A significant specific indirect effect of negative emotionality on depression through traumatic experiences of emotional abuse and self-blame was found (a1a3b2 = .11, LLCI = .09, ULCI = .13), which means that adolescents who have a tendency to react with negative emotionality to events show more depressive symptoms as a result of experiences of being abused by their family, which in turn are associated with self-blame cognitions. A significant indirect effect was also found concerning to the association of negative emotionality and depression through traumatic experiences of emotional abuse (a2b2 = .05, LLCI = .04, ULCI = .06). The results show that self-blame cognitions mediate the relation between negative emotionality and depression (a1b1 = .01, LLCI = .01, ULCI = .012). Additionally, a significant direct effect of negative emotionality on depression was observed, after partialling out both traumatic experiences of emotional abuse and self-blame (c’ = .15, p < .001). Finally, the mediation showed that being a girl is a risk factor.
Discussion

Adolescence is a developmental period of change, significantly marked by emotional and relational difficulties, in which depression and anxiety play a prominent role (Angold & Rutter, 1992; Cole et al., 2002; Fleming, Offord, & Boyle, 1989; Kashany & Orvaschel, 1990).

The vulnerability felt by adolescents for emotional problems may be related to the variety of physiological, psychological, relational and environmental changes that characterize this transitional period. Adolescence involves the development and strengthening of the self-concept, the accumulation of life experiences and the learning of social problem solving skills (Conway & Haque, 1999; Habermas & Bluck, 2000). Multivariate empirical approaches to the assessment of adolescent psychopathology, including depression in particularly, have shown that aspects of depression are associated with many other problems. Depression stands out among the psychological problems of adolescence, both for its impact on adjustment during the adolescent years and its long-term effects on adult psychological functioning. Individual differences in temperament are potential factors of vulnerability to mood disorders. Despite temperament being a risk factor for general psychopathology, it may function in any of several specific ways having a direct or indirect effect on psychopathology.

Notwithstanding the various empirical and theoretical arguments and studies, in diverse samples (mostly in adults), the exploration and evaluation of certain psychological processes for depression in adolescence remains inadequately studied. Therefore, the present study aimed at investigating the relation between negative emotionality, memories of emotional abuse, self-blame and depressive symptoms. We hypothesized that emotional abuse and self-blame would mediate the relationship between negative emotionality and depression, in a sample of Portuguese adolescents. Consistent with prior research (Courtney et al., 2008; Garnefski & Kraaij, 2006), correlation analyses showed that negative emotionality, emotional abuse experiences with family and self-blame were associated with depression. Thus, adolescents who are more prone to react to events in a negative way (e.g., discomfort, fear, anger, sadness, and low soothability) revealed more memories of being emotionally abused by their family, more self-blame, and more depressive symptoms. These findings are in line with prior research demonstrating that temperamental trait of negative emotionality is positively related with depressive symptoms, increasing the risk for depression, along with the risk for other emotional and behavioral problems (Anthony, Lonigan, Hooe, & Phillips, 2002; Chorpita, 2002; Masi et al., 2003; Phillips, Lonigan, Driscoll, & Hooe, 2002). The literature also suggests that traumatic experiences of emotional abuse constitute risk factor for the development of cognitive styles and depressive symptoms in adolescence (Alloy et al., 2003; Harter, 2012; Klein et al., 2008).

The propensity to experience high levels of negative affect, and concomitantly low levels of positive emotion, map directly onto the dysphoric and anhedonic symptoms of depression (Compas, Connor-Smith, & Jaser, 2004). Moreover, there is also evidence that the effects of temperament on depression may be mediated by other factors, including cognitive and contextual variables. Rudolph et al. (2006) suggested that self-consciousness and self-critical thinking increase during the transition into adolescence, and are related to depression. Individuals who share a specific emotional disposition characterized by harsh self-criticism and self-blame and a negative attributional style may be most susceptible to developing depressive symptoms in adolescence. In addition, the effect of specific parenting behaviors on depression depends on the temperament and gender of the child (Oldehinkel et al., 2006). Children with high negative affectivity may have greater difficulty modulating emotional arousal in an adaptive fashion.

As expected, analyses revealed that girls reported higher values in the variables under study than boys. Thus, girls showed higher levels in negative emotionality, emotional abuse experiences, self-blame and depressive symptoms than boys. These findings corroborate previously empirical results suggesting that girls are more vulnerable to depression, have a tendency to feel discomfort, fear, anger, sadness, and low soothability and are more self-critical (Cunha, M., Matos, M., Faria, D., & Zagalo, S., 2012; Hankin, 2008; Hankin & Abramson, 2002; Lang, Ferdinand, & Verhulst, 2007;
Nevertheless, there remains the question of the role of memories of emotional abuse and self-blame on the relationship between negative emotionality and depressive symptoms. This study tested a mediator model in which we examined whether temperament had impact in depression through their effect upon emotional abuse and self-blame cognitions. Consistent with our prediction, results indicated that the impact of the temperamental tendency to react with negative emotionality in depression is mediated through emotional abuse and self-blame (when the gender effect is controlled). It seems that adolescents with negative emotionality present depressive symptoms as a result of higher levels of emotional abuse experiences, which, in turn, are associated with high self-blame cognitions. In other words, to experience emotional abuse (with a critical tone) and to cope with negative affect associated with self-attributions of blame can increase the risk for adolescents with negative emotionality of having depressive symptoms. Finally, being an adolescent girl appears to be a risk factor.

Despite the interesting results in this study, this was a limited exploration of the relationships between temperament, emotional abuse, self-blame and depression, in adolescence. The study is cross-sectional and correlational, so causal conclusions cannot be reached. Methods for the measurement of temperament (and the other variables) also need to be expanded beyond paper-and-pencil inventories. In fact, these findings warrant replication and further testing using more rigorous multi-informant, prospective longitudinal research designs. In this sense, it would have been important the use and application of structured diagnostic interviews to assess current or lifetime history of depressive disorders.

**Clinical implications**

The study does provide some potential clinical implications. Intervention protocols for adolescents in risk for depression might focus on softening negative self-blame as a strategy of dysfunctional emotional regulation (maintenance factor of depressive humor), and promoting the use of other functional strategies. These findings are consistent with the notion that endorsing a more adaptive strategy, may buffer against the potential long-term negative outcomes associated with emotional abuse. An approach focused on acceptance and compassion (e.g. Compassion Focused Therapy) can be useful to diminish self-blame and depression.

In sum, the results of this study are encouraging and indicate that this is a valuable direction for future research on the emotional life of adolescents and the emergence of depressive symptoms. Understanding the ways in which mediators interact with each other and with depression is crucial to identify causal relationships. This can be done with longitudinal designs. These findings emphasize the importance of early identification of children and adolescents having elevated risk for future depression and promote the development and greater availability of prevention strategies.

**References**


Matos, A. P., & Pereira, A. R. (2012). Análise de algumas propriedades psicométricas do Questionário de Trauma na Infância (CTQ), em adolescentes portugueses [Analysis of some psychometric properties of the Childhood Trauma Questionnaire (CTQ) in Portuguese adolescents, Unpublished manuscript].


Understanding Content Development on Social Networking Sites

Shari Shang, National Chengchi University, Taiwan
Ying-Chieh Chuang, National Chengchi University, Taiwan

Abstract

The number of enterprises using social networking sites (SNS) has increased dramatically in recent decades. Companies consider SNS as another channel for increasing brand and product exposure and acquiring or retaining customers. Many companies attempt to leverage social networks by providing various forms of content to attract views and interact with customers. How to reach and attract the maximum number of customers remains a significant issue for all types of businesses. Managing content development involves various dimensions, including determining what to present to viewers, what type of content customers prefer, and when the appropriate time is to post new content. To enhance understanding of content strategy, this study aims to address how to stimulate customer engagement by developing SNS content.

Based on the use and gratification framework, this study focuses on the spectrum of strategies for satisfying users through content development. Using a review of academic research and practical cases, this study proposes factors that can influence the intensity of content popularity and users’ behavior on SNS. The five components of content development are vividness, interactivity, richness, amusement, and emotiveness. This study tests the level of influence of each factor using data from fan pages of three brands. The research findings may improve companies’ understanding of the attributes of quality content and how to stimulate customer engagement on SNS.

Keywords: Social networks, content strategy, customer engagement, use and gratification theory

Introduction

Social networking sites (SNS) have significantly changed not only the way people exchange information and interact with each other but also the channel of communication between customers and companies (Hennig-Thurau et al., 2010). Enterprises use Facebook fan pages and microblogging systems to post articles and messages that solicit customer feedback and enhance customer engagement (Sabine Fliess et al. 2012). Due to attributes of interactivity between customers and companies, SNS create another channel to help companies gather useful information that can increase profits, including customer opinions on products and services and opportunities to develop new products and satisfy customer needs (Verhoef & Lemon 2013).

According to studies of SNS (Bagozzi & Dholakia 2006), brand fan pages tend to generate loyalty and commitment to the brand, and the fans are even likely to become advocates for the products, brands, or the company (C.M. Sashi 2012). For support customer acquisition and retention, companies invest in social media to interact and maintain close relationships with customers (SAS HBR 2010).

Nina Michaelidou (2011) examined why companies construct brand fan pages and create content on social networking sites (SNS). She found that companies were using SNS to attract new customers (91%), to cultivate relationships with customers (86%), to increase awareness of their brand (82%), to publicize the brand online (73%), and to receive feedback (46%). Several previous studies (Nair, 2011; Fennis 2010) focus on how to attract visitors and address customers.
Most companies construct their brand fan pages to share their product-related content with their customers and attract new customers. Research about brand ranking (F.A.V.E 50 2013) that followed the trends in volume of content and customer engagement among the top 50 US retail brands on Facebook from 2011 to 2013 found that as company content increases, customer engagement increases. Thus, companies are spending more money on SNS to publicize their content.

To support customer engagement and interactions on fan pages, companies must encourage discussion and play the role of moderator (Godes et al., 2005). Companies can publish relevant content to reach and connect with their customers (Graber 1989). If customers engage the company through the brand fan page, they may share content with their friends, which creates word-of-mouth publicity about the brand.

Thus, content is the key element necessary to stimulate customers’ attention, and content can take a variety of forms, such as informational, functional, and entertainment. For instance, Jahn and Kunz (2012) have demonstrated that content that includes functional value will positively influence customers’ usage intensity and satisfaction from brand fan pages. Customers using the brand fan pages want to learn about products, services, and other practical information.

Another study found that informational content is the key to stimulating customers to engage in the brand fan pages (Cvijikj 2013). Hedonic value is another driver of customer engagement, and content that is considered fun, entertaining, and exciting satisfies customers (Madupu & Cooley 2010). Contents of brand fan pages with high perceived hedonic value could lead customers to log on to the fan page more frequently (Jahn & Kunz 2012).

Customers satisfied with brand fan page content tend to spread the word about content without any reinforcement or costs because people enjoy sharing content with their peers (Agresta & Bough 2011; Constantinides & Madupu and Cooley 2008; Fournier & Avery 2011). Therefore, content stimulates interaction. In sum, because content plays an important role in SNS, companies should recognize customer interests and develop a strategy for providing content that is aligned with the company’s goals (Bottles & Sherlock 2011; Phan 2011).

Given the variety of opinions that exist about content development on SNS and multi-media communication, this study aims to provide a deep understanding of the contextual and substantial features that drive customer intention to engage on social networks.

**Literature Review**

*Use and Gratification Theory*

Use and gratification (U&G) theory is one of most frequently applied theories in research on SNS because the theory explains how people can have different media use patterns resulting from different gratification needs and goals (Katz 1959; Chung and Austria 2010). Most consumer needs can be divided into three categories: content gratification focused completely on content provided by media, relationship gratification based on social interactions with others, and selfpresentation gratification based on individuals’ need to express themselves.

Guosong Shao (2008) uses U&G theory to examine why people use SNS to understand how behavior relates to content. The author defines three behaviors: consuming, participating, and producing. Producing is an act of self-expression and self-actualization, both of which can satisfy self-presentation gratification. This type of users would publish their own content to construct their personal identity. Another type of user would participate through interacting with the content to achieve social relationship gratification. The remaining users do not produce content or participate, but they consume content to attain content gratification. The author asserts that SNS are so popular because they enable users to easily achieve their purposes. Therefore, we can understand the significance of content on SNS because regardless of the different purposes for using the sites, the uses are closely related to the contents.
Furthermore, interactive behavior on SNS can include commenting on published content, “liking” content to support its perspective, and sharing content with friends. According to the study, interacting with the contents is participating behavior. Participating can help people seeking information and entertainment through SNS. For instance, “posting a comment” can help people understand the content; “rating” can help people find the most popular video, content, or product; “sharing with others” can directly spread the content. Thus, participating not only enriches the content and attracts other people but also helps develop brand fan pages (Guosong Shao 2008; C.M. Sashi 2012). Therefore, successful content is adapted by customers and stimulates the previously mentioned behaviors.

Content gratification includes functional value and hedonic value (Hirschman & Holbrook, 1982). Customers can attain functional value because they can access helpful, functional, practical, and useful content. Customers may also obtain hedonic value by accessing fun, entertaining, and exciting content (Jamie Carlson 2014). Jahn and Kunz (2012) indicate valuable content, which includes hedonic and functional characteristics, is one of the most important drivers for attracting users to brand fan pages. Focusing on content gratification, this study will examine specific characteristics of content development that may affect customer engagement.

Customer engagement

Customers using SNS engage in many different behaviors, such as participating in online discussions, commenting, searching for information, and contributing to opinion polls. These behaviors can be considered customer engagement if they are related to a firm (van Doorn et al., 2010). Verhoef et al. (2010) defines customer engagement as a behavior expressed toward a brand or firm that goes beyond transactions, including all customer-to-firm interaction and customer-to-customer communication about the brand.

The behavior may have both positive and negative consequences. Consequences can include trust, satisfaction, commitment and loyalty (Brodie et al. 2011; van Doorn et al., 2010). Thus, Customer engagement is sometimes used to represent the highest form of loyalty (Bowden 2009). Several studies (Jahn and Kunz 2012; Johanna and Veronica 2012) have verified that customer engagement positively affects loyalty and purchases.

Customer engagement includes all types of communication through brand fan pages, blogging and other social media (van Doorn et al., 2010). Consequently, various factors are used to measure customer engagement, such as frequency of visits to brand fan pages, liking content, commenting, and news reading (Johanna & Veronica 2012). In general, most studies would analyze content liking and commenting behavior to evaluate the popularity of content (Lisette de Vries et al. 2012; Ferran & Jasmina 2014). Beside these two dependent variables, we consider the number of shares to be another dependent variable because sharing is defined as highly intense agreement. Each of these actions potentially promote the content (Ferran & Jasmina 2014).

Theoretical Background

Vividness

Visual aesthetics are considered to be a factor that strongly affects user’s satisfaction with a product or system (Green & Jordan 2001). Moreover, numerous studies indicate that visual aesthetics can influence perceptions of usability, trust, fun, and enjoyment and the intention of revisit (Phillips & Chaparro 2009; Mahlke 2002; Mathwick et al. 2001).

Eysenck (1941) assert that aesthetics of an object depend on two factors: simplicity and complexity.
Numerous studies define visual complexity by perceptual dimension of quantity of objects, clutter, openness symmetry, organization, and variety of colors (Michailidou et al., 2008; Nadkarni & Gupta 2007). However, Birkhoff (1933) indicates that complexity deters the effect of the aesthetics of an object. Similarly, many studies found that visual complexity negatively influences aesthetic perceptions; lower complexity is perceived to be more aesthetic than higher complexity (Michailidou et al., 2008; Pandir & Knight 2006).

Moshagen and Thielsch (2013) indicate that vividness is related to dynamics, variety, visual richness, creativity, interest, and novelty and it is closely related to visual complexity (Moshagen & Thielsch, 2010; Hekkert et al., 2003). Berlyne (1971) asserted that complexity and novelty are the factors that determine the arousal potential of a stimulus. If a stimulus is simple, it results in a low arousal and a negative aesthetic perception. Therefore, vividness can counteract low arousal by provoking interest and tension (Hekkert & van Wieringen 1990; Hekkert et al., 2003).

Thus we hypothesize that:

The greater the vividness is, the higher the customer engagement will be.

*Interactivity*

The method to enhance salience of content is interactivity (Lisette de Vries et al. 2012). Blattberg and Deighton (1991) explain that interactivity enables an individual to directly communicate with a company regardless of time and distance. Moreover, Steuer (1992) defines interactivity as “the degree to which users can join in modifying the form and content of a mediated environment in real time”.

Each type of content contains different degrees of interactivity. For instance, content with only text has a low degree of interactivity. Conversely, content with links enabled for users is more interactive (Fortin & Dholakia 2005). Moreover, using question is considered a high degree of interactivity because it solicits user responses to the content (Lisette de Vries et al. 2012). Lisette de Vries et al. (2012) have indicated that content with a high level of interactivity is significant and positively related to the number of likes and comments. Cvijikj (2013) also supported the results, finding that interactivity has strong effects on customer engagement.

Thus we hypothesize that:

The more the interactivity exists, the greater the customer engagement will be.

*Richness*

The degree of richness is considered to be the vividness of online content (Lisette de Vries et al. 2012; Ferran & Jasmina 2014). Buraj and Lee (2013) indicate that rich information on business websites can enable companies to effectively communicate with customers about their products and services. Balasubramanian et al. (2003) also found that those companies with high quality information on their websites helped their customer achieve greater satisfaction.

Indeed, Jahn and Kunz (2012) asserted that the content with higher functional value play an important role by encouraging people to spend their time on the brand fan pages because people would search utilitarian information to satisfy their functional gratification. A previous study verified that richness information would enhance positive attitudes toward a website (Ferran & Jasmina 2014).

Thus we hypothesize that:

The more the richness is, the higher the customer engagement will be.
Amusement

In Use and Gratification theory, hedonic value is an important dimension to influence the decision people tend to use the media. Hirschman and Holbrook (1982) defined hedonic value as including emotional arousal and feelings such as pleasure, jealousy, fear, and angry. Hence, Jahn and Kunz (2012) indicated that people satisfy their hedonic gratification need by accessing to entertaining, exciting, and amusing content.

Moreover, Cvijikj (2013) found that entertaining content would result in people participate and use on brand fan pages because hedonic value is related to higher level of playfulness and amusement, which lead to positive mood and higher level of satisfaction (Arnold & Reynolds, 2003). Similarly, Natalie Jane De (2014) also supported the perspective hedonic value is a key driver motivating people engaging on brand fan pages. Indeed, prior studies verified that hedonic value would generate positively influence on purchase and usage (Arnold & Reynolds, 2003; Davis et al. 2012)

Thus we hypothesize that:

The greater the amusement the customer experiences, the higher the customer engagement will be.

Emotiveness

Emotion plays an important role the success of mobile communication, which enriches both interpersonal and intergroup relationships (Iyer & Leach 2008). Collins Dictionary (2011) defines an emotion as a feeling such as happiness, love, fear, anger, or hatred. Emotive expression can be used as a stimulus to strengthen the understanding of communication between message senders and receivers (Kwon et al. 2011). Emotion not only enriches communication but also helps build trust in the negotiation process through content, sentence structure, and style (Scissors et al. 2009).

Emotive expression can pour emotive experience into a linguistic structure, which can help people understand an event (Pennebaker et al. 1997). Emotion can be expressed in text in many ways, such as signs, capital letters, exclamation marks, and wording. These tactics can convey different meanings to different individuals (Moriarty, 1994).

Jiang (2004) used different intensities of emotive expression to examine customers’ advertising recall rate, attitude toward advertising, attitude toward products, and intention to purchase. The results indicate that declarative expression led to greater advertising recall and interrogative expression led to better attitude toward advertisements. Other researchers have found that emotional expression results in more positive reactions (Page et al., 1990) and higher recall levels (Choi & Thorson, 1983).

Thus we hypothesize that:

The greater the emotiveness in communications, the greater customer engagement will be.

Methodology

Research design

To determine if different intensities of content components affect customer engagement, we collected data from brand fan pages and analyzed their effect on customer engagement. Figure 1 depicts our research model. We used diverse dimensions of content components as research variables to explore their influence on customer engagement.

First, we used a crawler tool to download content from brand fan pages, which is described in greater detail in Table 4. After collecting the data, we invited three reviewers to judge the intensity of diverse dimensions and use a coding method to verify the reliability of classification.
Second, we interviewed members of brand fan pages because we aim to understand the perceptions of members about each type of content to determine which dimensions stimulate customer engagement. After that, we are going to use PLS to analyze our research model. This process helped us confirm the relationships among the constructs and understand content’s impact.

**Figure 1. Conceptual Depiction of Research Model**

![Figure 1. Conceptual Depiction of Research Model](image)

**Method**

Because this study focuses on exploring the relationships between content development and customer engagement behavior, we downloaded relevant data from brand fan pages and interviewed fan page members. We then applied Netnography as our research method because it intends to push the researcher to participate in virtual communities and become one of the members, which can help the researcher thoroughly observe the community’s activities and effects.

**Research variables**

Because we aim to examine what factors can stimulate customer engagement, we constructed a five-part process to verify our findings. We combined the concepts of advertising and content strategy and customer cognition into our research model.
Table 1: Definition of research variables

<table>
<thead>
<tr>
<th>Level</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vividness</td>
<td>Text and alphabetical signs</td>
<td>A static image, a link, and brief description</td>
<td>Many images, links, tags, and sections</td>
</tr>
<tr>
<td>Interactivity</td>
<td>Share a link to their website</td>
<td>Host an activity or contest to persuade fans to do something</td>
<td>Give a question or quiz to stimulate fans to respond</td>
</tr>
<tr>
<td>Richness</td>
<td>Promote the event, activity, and spaces</td>
<td>Share personal experience or practical methods</td>
<td>Have sufficient and detailed information</td>
</tr>
<tr>
<td>Amusement</td>
<td>Informational amusement: Fashion news; news about upcoming movies, entertainment events, and product functions</td>
<td>Knowledge amusement: Travel experience, food recommendations, and lifestyle information</td>
<td>Affectional amusement: Constellations, love, and male/female relationships</td>
</tr>
<tr>
<td>Emotiveness</td>
<td>Declarative: Obviously expresses the content so people can easily understand the purpose of the content</td>
<td>Interrogative: Uses interrogative method to catch people’s attention and stimulate consideration</td>
<td>Imperative &amp; Emotive: Expresses with strong emotion or commands</td>
</tr>
</tbody>
</table>

Dependent variables

To evaluate the popularity of content, we recorded the number of likes and comments. Both variables have been used extensively to study SNS (Cvijikj 2013; Lisette de Vries et al. 2012). Numerous likes indicate that the content is interesting and accepted, and comments indicate that the content is successful and influential because customers take the time to express opinions. Similarly, sharing can be considered to demonstrate high intensity of agreement with the content because customers share content with their friends. Therefore, we use these variables to judge the intensity of content’s popularity (Ferran 2014).

Table 2: Dependent variables and definitions

<table>
<thead>
<tr>
<th>Research Variables</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Likes</td>
<td>Number of likes</td>
</tr>
<tr>
<td>Comments</td>
<td>Number of comments</td>
</tr>
<tr>
<td>Shares</td>
<td>Number of shares</td>
</tr>
</tbody>
</table>

Control variables

Previous studies have indicated that post lengths may affect performance measures such as click rate (Baltas, 2003). The Buddy Media Inc. (2011) also argues that shorter posts have higher engagement rates. Therefore, we consider post length as a control variable.

Research on marketing indicates that most companies post approximately 86% of their content Monday through Friday and that customer engagement rates are higher on Thursday and Friday than other days (Buddy Media Inc. 2011). Rutz and Bucklin 2011 also proposed that people search online less during the weekends than on weekdays, but click rates do not vary between weekdays and weekends. To determine if engagement rates are different on weekdays, we include posting times as a control variable.

Several studies (Hong, Dan, & Davison, 2011; Suh, Hong, Pirolli, & Chi, 2010) found that due to social media attributes, the number of fans or friends may influence sharing and commenting behavior. Similarly, Zhang et al. (2014) indicates that the more fans a user has, the greater potential audience content posted by this user will have. Therefore, we consider the number of fans as a component of brand value that is included as a control variable.
Data collection

We focused on the brand fan pages of women’s magazines because it contains various topics, such as fashion, celebrities, and beauty. The magazines provide such diverse contexts that they can reach different customer demographics. All brands examined are famous brands with magazines published in both physical and virtual channels, so whether or not customers buy the magazine, most have formed an impression of the brand. All details are displayed in Table 3.

We chose Facebook as research platform because it is the largest and most frequently used SNS in the world. Its platform enables customers and companies to easily communicate with each other. Customers using Facebook exhibit many different behaviors that can help us evaluate the intensity of content popularity. Many other studies have used Facebook to examine customer engagement (Dholakia 2004; Hansen 2011).

<table>
<thead>
<tr>
<th>Brand fan pages</th>
<th>Description</th>
<th>Number of fans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marie Claire Taiwan (figure 2)</td>
<td>A monthly women’s magazine based on the French version that focuses on health, beauty, and fashion</td>
<td>378,327</td>
</tr>
<tr>
<td>Vogue Taiwan (figure 3)</td>
<td>A globally recognized fashion and lifestyle magazine that is published monthly in 23 different countries</td>
<td>671,129</td>
</tr>
<tr>
<td>Elle Taiwan (figure 4)</td>
<td>A global lifestyle magazine of French origin that focuses on fashion, beauty, and entertainment</td>
<td>331,864</td>
</tr>
</tbody>
</table>

Figure 5 three brand fan page post

Table 4. Data Collection of Different brand fan pages
Coding method

To determine the intensity of each dimension, we invited three people to act as reviewers and classify the intensity, including one professor, one doctoral candidate, and one industry expert. They solely judged and classified intensity of each dimension after thoroughly understanding the criteria for the classification rules.

How the reviewers classified content depended greatly on personal judgments, which increases the degree of subjectivity and reduces reliability. Therefore, we measured the reliability of classification by calculating the interjudge agreement ratio as proposed by Holsti (1969). The method is represented as follows:

\[ R = \frac{N(\text{average interjudge agreement})}{1 + \frac{1}{(N-1)}(\text{average interjudge agreement})} \]

- \( N \) = number of reviewers
- Average interjudge agreement was calculated by the following formula:

\[ M = \frac{2M_{12}}{n_1 + n_2} + \frac{2M_{13}}{n_1 + n_3} + \frac{2M_{23}}{n_2 + n_3} \]

which any two reviewers agree 2, reviewer 3 (3 in the study)

\[ n_1, n_2, n_3 = \text{reviewer 1, reviewer 2, reviewer 3 (3 in the study)} \]

\[ N = \text{number of reviewers (3 in the study)} \]

Data analysis

This study is going to use partial least squares regression (PLS regression) to help analysis, because PLS is very powerful when we have to predict a set of dependent variables from a (very) large set of independent variables (Herv’e Abdi 2003)

Biography

Sheri S.C. Shang is an associate professor of Management Information Systems at National Chengchi University in Taiwan. She has professional and expertise which includes business innovation, business process management, enterprise systems, and strategic technology management. She has published many studies in Information Systems Journal, International Journal of Technology Management, Behavior & Information Technology, Service Industries Journal, and Total Quality Management & Business Excellence. Beside the education area, she has worked in IBM, KPMG, and AICPA and was responsible for customer relation, business process re-engineering, and consulting.

Jerry Y.C. Chuang is currently a Master of Science student in Management Information Systems at National Chengchi University. Jerry has sufficient information technology experience and knowledge. In addition, he has joined the internship program in international corporates include TSMC and HP.

References

Agresta, S., & Bough, B. B. (2011) Perspectives on social media marketing: the agency perspective, the brand perspective. Course Technology, Boston, MA.


Mahlke, S. (2002). Factors influencing the experience of website usage. In CHI'02 extended abstracts on Human factors in computing systems (pp. 846-847). ACM.
Natalie Jane De Vries and Jamie Carlson (2014). Examining the drivers and brand performance implications of customer engagement with brands in the social media environment.
Ohbyung Kwon , Choong-Ryuhn Kim & Gimun Kim (2011). Factors affecting the intensity of emotional expressions in mobile Communications”
A Comparative Analysis of Decision Making Style of CEOs in SMEs in Oman and India

Naveen Safia, Sultan Qaboos University, Sultanate of Oman

Abstract

The CEO of an organization has a great responsibility on his shoulders in terms of giving the direction to the company he steers at times, in uncharted territories. Effective decision making, the result of his competency, capabilities, knowledge, expertise and ability to take right decisions at the right time can propel the company to be a market leader. Good decisions will be a trump card for him in driving the company forward profitably while satisfying all other stakeholders of the organization - employees, customers and the society at large.

However, the quality of decisions taken by CEOs depend on the availability of information and database. At times, Decision Making skill in private enterprises requires to be operated in situations of high uncertainty, tight time pressures, often emotionally charged as it involves huge amount of profit margins and opportunity cost.

In a survey conducted to CEOs of Small and Medium scale Enterprises in Oman and India, an offshoot of my PhD thesis, an attempt is made to compare the influencing factors in decision making environment and identify the dominant style; be it sequential, logical, global or personable. Empirical, theoretical, pedagogical contribution of the data was analyzed.
Attitudes and Preferences toward Islamic Banking: A Comparison between Muslim and Non-Muslim Customers in UAE

Nayyer Samad, Abu Dhabi University, United Arab Emirates

Abstract

The UAE banking system is dominated by conventional banking. However, Islamic banking has shown extraordinary growth during recent years. This is reflected in the increase in the number of Islamic banks from one to eight during the last 15 years. While Muslim customers may have a natural inclination towards Islamic banking, non-Muslim customers on the other hand may feel a little uncomfortable in doing business with an Islamic bank.

The purpose of this paper is to examine the customers’ attitude and preference towards Islamic banking in a predominantly Muslim country with large number of expatriate population, many of whom are non-Muslims. It also seeks to identify the factors that may influence their decision making process when it comes to choosing banks.

The research used a pre-tested questionnaire to collect data on current level of awareness, attitude and behavior regarding Islamic banking from a representative sample of Muslim and non-Muslim customers living in Al Ain, UAE.

Results indicate that awareness about Islamic banking is high among both Muslim and non-Muslim customers but knowledge about the concepts and principles guiding Islamic banking system was significantly low among non-Muslim customers. Quality of service was found to be the main reason for bank selection for both groups. Non-Muslim customers showed no negative attitude towards Islamic banking. On the other hand they showed positive attitude towards the principles of Islamic banking.

The finding are rich and of direct utility to bank managers and policy makers and can be used in development of future strategies to create value for customers, particularly the non-Muslim customers who are an integral part of the UAE as well as global community.

Keywords: Islamic banking, Perception, Muslim, Non-Muslim, UAE
Understanding the Design Principles of Enterprise Integration System: A Balance between Control and Flexibility

Shari S.C. Shang, National Chengchi University, Taiwan
Hank H.H. Liu, National Chengchi University, Taiwan

Abstract

Enterprises adopt integrated information systems to obtain various types of advantages for their ultimate goal of increasing competitiveness; however, there are common circumstances under which the expected outcomes fail to be realized because of inappropriate control and flexibility system configurations.

This research extends Adler and Borys’ 1996 discussion on coercive and enabling systems to situations of misuse, which is construed as over-control and over-flexibility in this work. To acquire a fundamental understanding of the interests that enterprises should evaluate regarding these two, often contrary, integrated information system configurations, a contextual analysis is conducted to organize the pros and cons from organizational and operational perspectives. Additionally, feasible conflict resolution approaches that are proposed in contingency theories are also investigated to establish assumptions about practical approaches that enterprises could apply.

To shed light on these problems, empirical case studies and cross-case analyses will be conducted to verify the findings in the literature and to answer the research questions: the “what,” “why,” and “how” dimensions of integrated information system over-control and over-flexibility.

Keywords: integration information system, organization, operation, control, flexibility, conflict
1. Introduction

1.1 Research Background

Enterprises adopt integrated information systems, such as enterprise resource planning (ERP) systems, customer relationship management (CRM) systems, and business process management (BMP) systems, for the purpose of enhancing efficiency and innovation capability and standardizing operations across business units and functions. In one aspect, by controlling each business process through an integrated information system, enterprises bring order to activities, enhance the transparency of their data across organizations, and, hence, acquire more information for making efficient and responsive decisions. From a different aspect, flexibility is also strengthened when information systems support enterprises in making business changes, achieving higher service levels, and delivering customized products more rapidly. Enterprises need both control and flexibility powered by integrated information systems to strengthen business capability.

However, excessive control may occur when business processes are required to follow rigid information system configurations, such as, for instance, when a business decision has to be approved and reviewed by multiple units and levels in a hierarchy because of the default setting in an information system, which significantly lowers the efficiency of decision making. Another instance of over-control can also be observed in daily operations when business operators are asked to maintain vast amounts of data in the systems, and the time they spend doing so greatly exceeds their efforts in those daily operations. Over-control may also bring other disadvantages to enterprises, such as lowering employees’ commitment to work, reducing their willingness to seek ways to improve their work processes (Jørgensen and Messner 2009), and the risk of transforming organizations into bureaucratic forms of management, which have often been criticized as not being appropriate for organizations that require flexibility (Burns and Stalker 1966; Mintzberg 1979).

Similarly, over-flexibility on integrated information system configurations may also occur when no clear business rules are implied in a system or there is no clear data type definition regarding the input data. These situations may be costly and detrimental to enterprises because employees must spend extra time configuring business rules or cleansing the data they need. Moreover, being overly flexible may also lead to a lack of discipline and the misuse of business resources and may thus result in wasted time, lower productivity, and higher costs for product delivery. With undue flexibility, it is also possible that the expected outcomes will not be achieved (Jørgensen and Messner 2009).

Control and flexibility are the two important aspects to be evaluated in any integrated information system. Both are equally important, but they are usually contrary to each other, which causes conflicts when considering both at the same time. Balancing control and flexibility in integrated information systems becomes a key issue for enterprises that hope to get the most out of their systems (Duncan 1976; Tushman 1997).

1.2 Research Motivation and Objective

The shortcomings of integrated information system over-control and over-flexibility can be observed not only in enterprises but also in our daily lives when we receive services from these enterprises. For example, a well-known internet service provider in Taiwan requires its workers to maintain a series of operational data after installing each modem in a household, and it is observed that workers spend much more time maintaining data than conducting their primary business operations. As a control mechanism, maintaining data increases the information transparency of the service provider as a whole, but this process greatly reduces workers’ service capacities and efficiency. In a case study of Restaurant Division in UK (Ahrens and Chapman 2004), branch managers enjoyed a certain degree of flexibility and discretion in choosing and applying the tools provided by the restaurant’s information system. Nevertheless, there is the concern that overly flexible system configurations could allow restaurant managers to manipulate the numbers in the financial reports from each restaurant branch to falsely overstate its margin.
From the cases above, we obtain a basic understanding that there are constant trade-offs between control and flexibility with integrated information systems. Enterprises must determine the causes of any conflicts and how to address those conflicts while designing or applying integrated information systems, especially under conditions of over-control or overflexibility.

Moreover, a majority of existing studies only focus on control and/or flexibility, which limits their discussions to single dimensions such as business strategy, system design, operation management, or organization, leaving the others to exclusively stand at one end of the control/flexibility spectrum. To that end, this research aims to investigate the conflicts between control and flexibility from multiple perspectives. By conducting empirical case studies of enterprises that had experienced information system over-control and over-flexibility, the aim was to answer the questions below:

- What types of problems could enterprises encounter while balancing control and flexibility?
- Why do they encounter these problems?
- How can they resolve these problems?

2. Literature Review

This section consolidates the literature related to control and flexibility in enterprise systems and management practice to establish a research framework for this paper. First of all, by understanding the advantages, disadvantages, and conflicts between coercive and enabling (Adler and Borys 1996) settings of integrated information systems, we acquire a fundamental understanding of the interests that enterprises should evaluate regarding these systems. Second, to obtain a more systematic point of view regarding the conflicts between the two contrary information system configurations, a Typology should be established to categorize the different types of conflicts. Finally, possible solutions to many of the conflicts that are proposed in existing studies are investigated to build assumptions about the actual approaches that enterprises apply to resolve these conflicts.

2.1 Integrated System Control and Flexibility

Adler and Borys (1996) proposed the concepts of coercive and enabling, which are the two types of formalization often believed to conflict with each other; however, some contingency studies have discovered that these two formalizations do not appear to be opposite and could be applied at the same time in many businesses (Brown & Eisenhardt 1997). There is also evidence that implementing both formalizations could yield better enterprise performance (Chenhall 1986; Adler 1999) and that, in terms of integrated systems, an organization can achieve the objectives of both efficiency and flexibility with the simultaneous use of both mechanisms in its enterprise system (Simons 1990). This research draws on these concepts to develop its fundamental framework and applies the terms control and flexibility to represent the two, often contrary, enterprise system settings and business objectives. Furthermore, to picture the circumstances of misuse, this research introduces the terms over-control and over-flexibility, which are the key issues the study aims to address and resolve.

2.2 Control versus Over-Control

The idea of control can be traced back to Frederick Winslow Taylor’s work “Principle of Science Management”, which applies scientific approaches to formalizing procedures, specializing employees’ tasks, and standardizing outputs. By utilizing control mechanisms in management practices, enterprises have acquired numerous advantages, such as bringing order to activities (Jørgensen & Messner 2009), enhancing efficiency, and ensuring output quality (Lee 2003). Additionally, by further enforcing control through integrated information systems, enterprises can also improve data reporting quality and access to more and better information, reduce dependency on employees (Shaw 1999), and gain competitive advantage (Roberts & Wood 1997). Organizations can enjoy the abovementioned benefits if their integrated systems are designed to fit their primary tasks (Adler, Goldoftas, & Levine 1999): for instance, when an organization’s tasks are simple and its goal
is efficiency, the organization will benefit from adopting a mechanism form of control (Burns and Stalker 1961). Strong control has also proved to be essential in organizations with strict budget or schedule constraints and those that require high-quality results (Harris, Collins, & Hevner 2009).

However, when too much control—that is, over-control—is enforced by integrated systems, enterprises may lose the flexibility to nimbly reallocate resources and smoothly adjust processes; hence, they may also lose the capability of flexible responses to business changes (Kurke 1988). The centralized nature of bureaucratic control has often reduced personal discretion by specializing employees’ tasks to certain scopes, and this type of mistrust lowers employees’ commitment to finding alternative solutions to resolving new business problems and improving current business operations (Jørgensen & Messner 2009). In terms of local operations, a case study on a UK restaurant chain presented the concern from local restaurant managers that the meal portions and accounting methods that had been defined by the central office and the information system might not comply with local operations and customer services (Ahrens and Chapman 2004). Other backfire effects can also be identified in numerous studies that have found that over-control in enterprise systems caused by tight information and inter-department links could delay decision making, slow the responses to customers’ needs (Goodhue et al. 1992), increase the complexity of issue sourcing (Singletary 2003), and reduce the ability to manage unanticipated situations (Shang & Liao 2006). To that end, bureaucratic forms of management and control have often been criticized as not being appropriate for organizations that require flexibility (Burns & Stalker 1961; Mintzberg 1979), and these organizations therefore encounter a dilemma between efficiency and flexibility.

2.3 Flexibility versus Over-Flexibility

Flexibility is the ability to respond to new situations with little time or effort (Upton 1995), and it provides more freedom and options for employees to complete their tasks (Noori & Radford 1995). Enterprises pursue flexibility for purposes of fulfilling new business requirements and constantly changing customer demands, and thereby ensure their advantage over competitors (Leana & Barry 2000; Chen et al. 2009). In terms of information system flexibility, Easton and Rothschild (1988) described it as the ability of a system to take different forms. With adequate information system flexibility, enterprises could extend their systems’ periods of use and gain more IT investment efficiency (Chang & King 2005; Moitra & Ganesh 2005; Gebauer & Schober 2006). In today’s constantly changing business environment, the tendency toward enterprise system flexibility rather than control is presented in multiple studies across different industries (Adler et al. 1999; Ahrens & Chapman 2004; Zhang 2006). With manufacturing for instance, the combination of flexibility and traditional control in enterprise systems will bring the industry greater product variety, faster response times, and increased productivity (Chase & Garvin 1989; Pine 1993; Hayes & Pisano 1994; Goldhar and Lei 1995), which can be found in practice as well at New United Motor Manufacturing Inc. (NUMMI) by Adler et al. (1999). In other areas such as the service industry, businesses can also benefit from flexible enterprise systems to acquire innovation capability in providing services, which is especially important in today’s changing environment (Ahrens & Chapman 2004; Zhang 2006).

Although the majority of contemporary research focuses on the benefits of flexibility, there is another voice that claims that too much flexibility, which is introduced as over-flexibility in this research, may be detrimental to organizations with regard to budget and outcome control, business objective alignment, employee behavior management, and investment efficiency. Jørgensen and Messner (2009) state that enterprises may risk not reaching expected business outcomes when too much flexibility is allowed, and this flexibility also comes at the price of additional investment and complexity in enterprise systems (Gebauer & Schober 2006). At that point, given the input and compromise required for the flexibility, it is difficult to verify whether this flexibility can generate practical benefits for enterprises (Chen et al. 2009). On an individual level, over-empowerment among employees may lead to their feeling of confusion, especially at lower levels of a given hierarchy (Leana & Barry 2000). Although contemporary theories provide limited access to the issues that arise from over-flexibility, Ahrens and Chapman (2004) addressed the concern of a head office
manager that an overly flexible enterprise system configuration could allow for malicious employee behavior such as tampering with data in the system.

2.4 Conflicts between Integrated Information System Control and Flexibility

To conceptualize the abovementioned conflicts between integrated information system control and flexibility, this research establishes a typology framework to categorize different types of conflicts from either the organizational or the operational perspective, within which the different system configurations would make positive or negative impacts. A review of a number of studies in the literature also found that the configuration of integrated information systems plays an important role in organizational and operational success or failure (Upton 1995; Lei et al. 1996; Palanisamy & Sushil 2004; Zhang 2006). In other words, integrated system configurations can bring about advantages and disadvantages from both the organizational and the operational perspectives.

Table 1: Pros and Cons of Integrated System Configurations

<table>
<thead>
<tr>
<th>Integrated System</th>
<th>Control</th>
<th>Over-Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational</td>
<td>● Access to more and better information for decision making</td>
<td>● Limited response to business environment changes</td>
</tr>
<tr>
<td>Perspective</td>
<td>● Gain competitive advantages in price and quality</td>
<td>● Lose the agility to reallocate resources and adjust processes</td>
</tr>
<tr>
<td></td>
<td>● Reduce dependence on employees</td>
<td>● Increase the complexity of issue sourcing and delay decision making because of tight inter-department links</td>
</tr>
<tr>
<td></td>
<td>● Improve data-reporting quality with transparent information</td>
<td></td>
</tr>
<tr>
<td>Flexibility</td>
<td>● Respond to new situations with little time or effort</td>
<td>● Poor budget and outcome measurement</td>
</tr>
<tr>
<td></td>
<td>● Increase competitive advantage with greater product variety and faster responses</td>
<td>● Decreased business objective alignment because of unduly decentralizing</td>
</tr>
<tr>
<td></td>
<td>● Gain investment efficiency and extend the use of enterprise systems</td>
<td>● Risk of not reaching expected business outcomes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Added complexity of and investment in enterprise systems</td>
</tr>
<tr>
<td>Operational</td>
<td>● Bring order to activities with formalized rules and processes</td>
<td>● Inconveniencing local operations</td>
</tr>
<tr>
<td>Perspective</td>
<td>● Enhance operation efficiency with specialized tasks</td>
<td>● Inability to manage unanticipated situations</td>
</tr>
<tr>
<td></td>
<td>● Ensure work quality with standardization</td>
<td>● Low employee commitment to problem solving</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Poor responses to customer needs</td>
</tr>
<tr>
<td>Flexibility</td>
<td>● Offer more freedom and options for employees to complete their tasks</td>
<td>● Low work quality because of poorly defined procedure</td>
</tr>
<tr>
<td></td>
<td>● Fulfill constantly changing customer demands</td>
<td>● Feelings of confusion among lower-level employees</td>
</tr>
<tr>
<td></td>
<td>● Acquire innovation capability in processes and services</td>
<td>● Malicious employee behaviors are allowed for self-benefit</td>
</tr>
</tbody>
</table>
2.5 Balancing Control and Flexibility

To address the solutions to the different types of conflicts between enterprise system over-control and over-flexibility, this research draws on three approaches that have been proposed in contingency theories (Ouchi 1977, 1979, 1980; Adler and Borys 1996; Adler et al. 1999): organizational, operational, and system.

The organizational approach adopts the control theory proposed by Ouchi (1977, 1979, 1980) and aggregated by Harris et al. (2009) into three types of control, output, behavior, and clan. Output control entails measuring results by setting explicit specifications for outcomes, and it can be performed when actual results can be verified based on definable and measurable expectations of outcomes. Behavior control is individual surveillance that entails complete regulations and procedures to regulate employees’ behavior, and it can be conducted when a cause-and-effect relationship between certain behaviors and expected goals is well understood. Whereas output and behavior control are known as bureaucratic forms of control, clan control is, rather, an enabling approach that allow employees to find their own ways under the assumption that they share the same goals as the organization and will work for the organization’s best interest.

The operational approach applies the four operational mechanisms presented by Alder et al. (1999) to balance control and flexibility in individuals tasks, specifically, meta-routine, job enrichment, switching, and partitioning. Meta-routines formalize the creative process by turning non-routine tasks into more routine tasks to gain more control over unstructured works under certain levels of flexibility; it is assumed that control can be enforced using the integrated information system. Job enrichment gives employees the rights to take part in improvement tasks and propose solutions for optimizing their work in addition to their primary production tasks, which allows them to become more innovative and flexible. Switching allows employees to switch between improvement tasks and production tasks, which gives them the time to focus on each task by distinguishing between the two roles. Partitioning further differentiates the improvement role and the production role by separating them into respective units. It permits each unit to concentrate on its task while both units support each other and function in parallel.

The system approach highlights Adler and Borys’ (1996) four system design elements for supporting a system’s usability: repair, internal transparency, global transparency, and flexibility. Repair permits employees to fix systemrelated problems such as applying procedures to operations and breakdowns during work on their own rather than relying on engineers each time an issue arises. This ensures the smoothness of operations without interruptions from system configurations or fails by involving employees in resolving problems, thereby reducing the downtime spent waiting for help. Internal transparency gives employees access to overall information about the local system regarding its management control processes, operation status, and functioning logic. Employees can therefore understand what should be done for the department’s best interest and to be in line with customers’ expectations, and they can at the same time intelligently fix errors. Global transparency, as opposed to internal transparency, gives employees a broader understanding of how the system works as a whole; a wide range of the information that is provided can assist with interdepartment collaboration and communication and let employees keep track of how their work fits into the entire organization. Flexibility allows employees personal discretion on how they use systems and whether those systems should be used. Employees can choose to apply the system’s suggestions or not and also modify the system to fit their specific needs.
Table 2: Approaches to Balancing Control and Flexibility

<table>
<thead>
<tr>
<th>Organizational Approach</th>
<th>Operational Approach</th>
<th>System Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Output Control</td>
<td>• Meta-routine</td>
<td>Repair</td>
</tr>
<tr>
<td>Measuring results by setting explicit specifications for outcomes</td>
<td>Formalizing the creative process by turning non-routine tasks into more routine tasks</td>
<td>Permitting employees to fix system-related problems on their own rather than relying on engineers</td>
</tr>
<tr>
<td>• Behavior Control</td>
<td>• Job Enrichment</td>
<td>Internal Transparency</td>
</tr>
<tr>
<td>Individual surveillance that holds to the complete regulations and procedures that are intended to regulate employees’ behavior</td>
<td>Giving employees the rights to take part in improvement tasks in addition to conducting their primary tasks</td>
<td>Giving employees access to overall information about the local system</td>
</tr>
<tr>
<td>Clan Control</td>
<td>• Switching</td>
<td>Global Transparency</td>
</tr>
<tr>
<td>A somewhat enabling approach that allows employees to find their own ways</td>
<td>Allowing employees to switch between improvement tasks and production tasks</td>
<td>Giving employees a broader understanding of how their system works as a whole</td>
</tr>
<tr>
<td></td>
<td>• Partitioning</td>
<td>Flexibility</td>
</tr>
<tr>
<td></td>
<td>Further distinguishing the improvement and production roles by separating them into respective units</td>
<td>Allowing employees personal discretion regarding how they use a system and whether that system should be used</td>
</tr>
</tbody>
</table>

3. Research Method

To answer the “what”, “why”, and “how” questions regarding the conflicts that arise from balancing the over-control and over-flexibility of integrated information systems, multiple case studies among four enterprises are carried out to shed light on the research questions of this work.

Table 3: Target Case Study Enterprises

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>Interviewee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A (Information Tech)</td>
<td>Business manager, system manager</td>
</tr>
<tr>
<td>Company B (Software)</td>
<td>Senior manager, system coordinator</td>
</tr>
<tr>
<td>Company C (Consulting)</td>
<td>Senior manager, business consultant, IT consultant</td>
</tr>
<tr>
<td>Company D (Consumer Goods)</td>
<td>Business manager, IT department manager, user</td>
</tr>
</tbody>
</table>

Before the interviews with business managers, system managers, system coordinators, and users of select enterprises, a contextual analysis was first conducted in the literature review section. This review aggregated the “what” dimension of the conflicts that have been mentioned in the existing literature, and it organized the pros and cons of two enterprise aspects under different system configurations. Furthermore, the “why” dimension was also investigated through the possible solutions that have been presented in numerous studies to understand the approaches to resolving different aspects of conflict. The findings from the contextual analysis provided this research with a number of assumptions and directions to be raised during the interviews, and therefore, a semi-structured questionnaire (Appendix 1) with open-ended questions was designed based on the literature that was reviewed.
Table 4: The Four Steps of the Research Process

<table>
<thead>
<tr>
<th>Step</th>
<th>Objective</th>
<th>Approach</th>
<th>Deliverables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Literature review</td>
<td>Develop a basic understanding of the multiple dimensions of conflicts</td>
<td>Contextual analysis of the existing literatures</td>
<td>Aggregation of the possible causes and solutions to the conflicts</td>
</tr>
<tr>
<td>Multiple case study</td>
<td>Validate the findings from the previous step in realworld circumstances</td>
<td>Conduct interviews with key enterprise representatives based on the questionnaire</td>
<td>Findings from real-world conflicts, actual causes, and practical solutions</td>
</tr>
<tr>
<td>Cross-case analysis</td>
<td>Align the academic and practical perspectives</td>
<td>Conduct an in-depth compare and contrast on the findings from the previous steps</td>
<td>Discussion on the differences and similarities in the findings</td>
</tr>
<tr>
<td>Conclusion building</td>
<td>Establish a final conclusion</td>
<td>Summarize the discussion into highlights</td>
<td>Final practical guidelines for resolving the conflicts</td>
</tr>
</tbody>
</table>

Biography

Sheri S.C. Shang is an associate professor of Management Information Systems at National Chengchi University in Taiwan. Her professional expertise includes business innovation, business process management, enterprise systems, and strategic technology management. She received Ph.D. in Information Systems from University of Melbourne in Australia. Her research has been published in Information Systems Journal, International Journal of Technology, Management, Behaviour & Information Technology, Service Industries Journal, and Total Quality Management & Business Excellence. Before her doctoral study, Dr. Shang worked as a Consulting Manager, MIS Manager, Business Analyst, and EDP specialist in global companies such as IBM, KPMG, and AICPA.

Hank H.H. Liu is currently a Master of Science student in Management Information Systems at National Chengchi University. Hank’s research interests include enterprise systems and business innovation, and he also had several technical project support experiences in Accenture and IBM.

References


### Appendix 1
**Questionnaire**

<table>
<thead>
<tr>
<th>Integrated system misuse</th>
<th>General</th>
<th>Over-Control</th>
<th>General</th>
<th>Over-Flexibility</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td></td>
<td>□</td>
<td></td>
<td>□</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□</td>
<td></td>
<td>□</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In your company or department, what processes are integrated within the enterprise system?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What do you think about your company’s integrated system? Does it control too much, or is it too flexible?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you find any over-control cases caused by the coercive integrated information system setting in your company? If you do, what do you find? Please describe it in detail.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the system affect your company as a whole? Does it lower your company’s responsiveness to external or internal changes? Does it raise the complexity for issue sourcing when issues arise? Does it delay your business processes, such as decision making? If any of the above applies, how do they affect your organization? Why do these situations happen? How do you resolve these problems? Do your solutions help? Is there any trade-off? Do you think the system should be more flexible and give employee more freedom to fix problems? Is there any trade-off?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the system affect employees’ daily operations? Does it lower employees’ commitment to improving operation? Does it impede local operations, for instance within specific business units? Does it impede addressing unexpected situations such as unexpected customer requests? If any of the above occurs, how do these events affect operations? Why do these things happen? How do you resolve these problems? Do your solutions help? Is there any trade-off? Do you think the system should be more flexible to give employees more freedom to fix problems? Is there any trade-off?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does your system affect your company as a whole? Does it impede your company’s outcome or budget measurement? Does it decrease business units’ alignment with your company’s business objective? Does it require additional investment or cause additional complexity within your company’s integrated system? If any of above applies, how do these problems affect your organization? Why do these situations happen? How do you resolve these problems? Do your solutions help? Is there any trade-off?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you find any cases of over-flexibility that are caused by the enabling integrated information system setting in your company? If you do, what do you find? Please describe it in detail.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

© Copyright by Author(s)  
June 7-10, 2015
Do you think the system should enforce more control to keep track of business outcomes or employee behavior? Is there any trade-off?

<table>
<thead>
<tr>
<th>Operation</th>
<th>Does your system affect employees’ daily operations?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Does it lower employees’ work quality, for instance, because of missing standard procedure?</td>
</tr>
<tr>
<td></td>
<td>Does it cause confusion among the employees?</td>
</tr>
<tr>
<td></td>
<td>Does it benefit the employees rather than the organization?</td>
</tr>
<tr>
<td></td>
<td>If any of the above applies, how does it affect your organization?</td>
</tr>
</tbody>
</table>

Why do these situations happen?

How do you resolve these problems? Do your solutions help? Is there any trade-off?

Do you think the system should enforce more control to clearly define employee roles and tasks? Is there any trade-off?
Measuring Consumers’ Luxury Brand Perceptions of Apparels in an Emerging Market

Hatice Dogan Sudas, Cukurova University, Turkey
Ali Kara, Penn State University, United States of America
Serap Cabuk, Cukurova University, United States of America

Extended Abstract

Although there is no clear consensus among scholars about the definition of a “luxury product,” traditionally it is accepted that luxury products bring prestige to its owner (Grossman and Sharpiro, 1988). Luxury brands considered to “…evoke exclusivity, have a well-known brand identity, enjoy high brand awareness and perceived quality” (Phau and Prendergast, 2001). Hence, luxury products are related to pleasure and comfort and also they are hard to obtain (Shukla and Purani 2012). From the marketers’ perspective, luxury helps companies to differentiate their brands in a product category and it is an important factor in consumer preference and usage (Wiedmann, Hennigs and Siebels 2007).

Reports show that the global market for luxury brands has grown rapidly over the past two decades despite economic weaknesses, market crisis and destabilizing exchange rate fluctuations around the world (D’Arpizio, 2014). Moreover, surveys show “unprecedented demand” for luxury products in emerging markets (The Report, 2013). Although the size of luxury market has been increasing over the last decades, research in this area has been lacking and little is known about luxury brand purchase behavior of emerging market consumers (Wiedmann, Hennigs and Sebels 2007). Hence, it is imperative to empirically investigate and measure emerging market consumers’ perceptions of luxury goods for segmenting and positioning decisions. However, before such investigation can be done, it is crucial to first develop valid scales to measure the “luxury” construct.

While several academic researchers have attempted to define and model “luxury,” delineating and measuring it has been challenging for the researchers due to the abstract or elusive nature of the concept. Literature shows that there is little agreement among researchers about the dimensions of luxury construct as perceived by customers (Wiedmann, Hennigs and Siebels 2009). In their article, Vigneron and Johnson (2004) offered a scale to measure luxury perceptions in five dimensions. The first three dimensions reflected non-personal perceptions (conspicuousness, uniqueness and quality) and the other two dimensions reflected personal dimensions (hedonism and extended-self). However, Vigneron and Johnson (2004) state that “…perceived luxury levels of particular brands vary among consumers due to differing cultural and psychographic characteristics.” Hence, the BLI scale may not be applicable in different cultural environments of the emerging markets. Furthermore, an increasing number of consumers express serious interest in various social responsibility issues which has led to the emergence of “responsible luxury” notion (Kim and Ko, 2012). However, none of the dimensions of the BLI scale captures the social and environmental issues in consumers’ luxury perceptions. Although we praise the efforts of the development of the BLI scale for measuring consumers’ luxury perceptions, we strongly argue that the scale does not address consumers’ sustainability dimension of luxury perceptions—an important emerging aspect of consumer behavior.

Therefore, the main objective of this study is to re-examine the dimensionality of “luxury” perceptions and present a modified measurement scale that captures the critical dimension of consumers’ luxury perceptions. In this paper, we agree with the conceptualization offered by Vigneron and Johnson (2004) but we attempt to adapt it by incorporating sustainability...
dimensions to measure the luxury product perceptions of consumers in an emerging market. In other words, we hope to capture and represent the appeal of “being green” or “sustainable” in the luxury product perceptions because consumers are increasingly demanding that the products they buy do not harm the environment. Furthermore, the luxury brand marketers could use “sustainability” as a reason to persuade consumers to pay for high-priced products; hence sustainability has become increasingly more relevant to both customers and the marketers. Although the use of validated existing measures offers significant benefits, pursuing scale development that are designed to capture the changing nature of consumer behavior and applicable in different contexts would contribute more to the practice and research in this area.

Scale items for the sustainability dimension, an added dimension of luxury construct, were obtained from the literature. To test the validity and psychometric properties of the scale, we have conducted an empirical study in Turkey. A total of 218 usable questionnaires were collected from female customers shopping in the well-known luxury apparel retailers located in the exclusive shopping centers. Preliminary results of our statistical analyses revealed the existence of ‘exclusiveness’, ‘sustainability’, ‘self-directed pleasure’ and ‘prestige’ dimensions in the luxury construct among Turkish apparel consumers. The implications of this research are significant for marketers and researchers in the field of luxury brands. Some study limitations are recognized and caution need to be used in extending our findings to unlike environments. Further testing of the dimensionality of the luxury construct is needed in different environments by the future studies to validate our findings.

**Keywords:** luxury perception dimensions, luxury apparels, prestige, sustainability, emerging market.
Assessing the National Credit Regulator’s Perception on the Effectiveness of the Debt Counsellors’ Practices in South Africa

KH Masilo, Tshwane University of Technology, South Africa

Abstract

The vast expansion in credit buying, the instability of interest rates and the resulting involvement by consumers into heavy indebtedness beyond their means has been a call for concern for the South African government. In addressing this problem, the government introduced the National Credit Act No. 34 of 2005 with the aim of providing access to consumer credit and the general regulation of consumer credit. In support of this objective, the National Credit Regular was established in 2006 and it was tasked with the regulation of the South African credit industry. The debt counselling service was subsequently introduced in 2007 to assist the over-indebted consumers.

The aim of this paper is therefore to investigate the role that the National Credit Regulator is playing in making sure that debt counselling service is effectively managed by debt counsellors. A qualitative approach, which was exploratory in nature, was adopted for this study. Ten employees from the National Credit Regulator’s office were interviewed. There was no evidence that debt counsellors were managing the debt counselling service effectively. It was also observed that the debt counsellors received insufficient support from the National Credit Regulator. The paper recommends that the National Credit Regulator should adequately support the debt counsellors so that they can effectively manage debt counselling service and ultimately assist the over-indebted consumers. Debt counsellors should also be exposed to personal financial management as part of their training.

Keywords: over-indebtedness, personal financial management, National Credit Act, National Credit Regulator, South Africa
Pre-task Planning Time and EFL Learners’ Written Performance with a Focus on Gender

Morteza Abdi, Islamic Azad University, Iran
Sonya Khoshmod, Payame Noor University, Iran

Abstract

Task planning, over the past decade or so, has witnessed a great deal of consideration among theorists, researchers, and practitioners within task-based language teaching and learning. Accordingly, the current study aims to explore the effect of pre-task planning time and gender on EFL learners’ writing performance in terms of syntactic accuracy and grammatical complexity. A descriptive writing task was assigned to both groups of the study to collect the data. The learners’ written outputs were quantified and measured through a couple of Independent Samples t-Tests as the statistical analyses. The findings revealed statistically significant differences in the written performance of both male and female groups with respect to planned and unplanned conditions. The results of the study suggested some rewarding pedagogical implications in terms of task planning and individual differences for the researchers, materials developers, and language educators within SLA and EFL contexts.

Keywords: pre-task planning, gender, accuracy, complexity, task, descriptive writing

Introduction

Since the introduction of Task-based Language Teaching (TBLT) as a communicative movement into the field, a number of novel concepts have been proposed to facilitate the essential processes in Second Language Acquisition (SLA). One of the popular notions among the other factors has been the planning task prior or during a specific task performance. Pre-task planning time (PTP), particularly, has preoccupied the minds of a number of researchers (e.g., Ellis, 2003; 2005; Ellis & Yuan, 2004; Tavakoli & Skehan, 2005; Yuan & Ellis, 2003) and educators in the field. The underlying rationale is that human mind is limited in its processing of linguistic information; therefore second language (L2) learners should be provided with opportunities to overcome the limited attentional resources (Skehan, 1998; VanPatten, 2002). Furthermore, it is assumed that L2 learners’ limited capacity of attention compels them to make choices. That is, learners tend to prioritize one aspect of language production, such as accuracy, over another, such as complexity or fluency (Foster & Skehan, 1999; Skehan, 1998). PTP time, therefore, was proposed as a solution to compensate for the limited attentional resources.

Planning and its types

Ellis (2005) in his seminal work on planning discusses two principle types of planning: PTP and within-task planning. While the former is further divided into rehearsal and strategic planning, the latter is categorized into pressured and unpressured. Furthermore, both pre-task and within-task planning can be classified as unguided planning (learners receive no more instruction on what and how of planning a task) and guided planning (learners can be given specific recommendations on what and how to plan). Eventually, the guided planning is further divided into detailed or undetailed planning.
Planning, accuracy, fluency, and complexity

Quite a number of attempts (e.g., Foster, 2001; Iwashita, Elder, and McNamara, 2001; Kawauchi, 2005; Sangarun, 2001) have been exercised into the role and impact of planning on the three dimensions of L2 learners’ oral and written performance. The studies, however, demonstrate mixed findings as to the positive effects of planning on the three dimensions of accuracy, fluency, and complexity. Ellis (2004) argues that these mixed findings are due to learners’ difference in their proficiency level, different task types and particular grammatical features used in the studies.

Literature review

With the advent of TBLT, the field of language learning and teaching has experienced a lot of theoretical contributions. Accordingly, the enthusiastic researchers have made a wide range of attempts to explore the potential insights that TBLT can provide them for a better understanding of the processes that L2 learners follow in learning a given language. To repeat, PTP has witnessed great attention from SLA researchers. The conducted studies have primarily concentrated their focus on either oral (e.g., Abdi, Eslami & Zahedi, 2012; Birjandi & Alipour, 2010; Shafaei, Salimi & Talebi, 2013) or written performances (e.g., Alavi & Ashari Tabar, 2012; Bagheridoust & Fakoor, 2013; Meraji, 2011; Rahimpour & Safarie, 2011) of L2 learners with respect to the related dimensions of language production when provided with planning time. In addition, the studies have examined the effect of planning time with respect to various task types (e.g., Asgarikia, 2014; Ashari Tabar & Alavi, 2013) in foreign language learners’ (EFL) written and oral performances.

The reported studies lend support to the effectiveness of different types of planning time in L2 and EFL settings. Although the impact and role of planning times and conditions have been thoroughly explored and discussed in relation to a wide range of factors, little attempt has been made to investigate its impact and contributing features with respect to individual differences, such as gender. Since planning time can serve differently and probably contradictory between EFL male and female learners, its exploration can promise fruitful findings in the field. Therefore, the current study was designed to answer the following research questions.

Research questions

R.Q. 1. Does PTP time influence the syntactic accuracy of EFL male and female learners’ written outputs?

R.Q. 2. Does PTP time influence the grammatical complexity of EFL male and female learners’ written outputs?

R.Q. 3. Are there any significant differences between male and female learners’ writing performances in terms of syntactic accuracy and complexity in planning condition?
Methodology

Participants

Sixty upper-intermediate learners of English language from an Iranian language institute in Tabriz participated in our study. The participants were equally divided into either male or female group who had been selected based on their performance on a proficiency test. The passing score was 70 out of 100. They ranged between 18-26 with the Turkish and Persian as their native languages. The participants were attending the evening conversation courses two sessions a week and did not have any particular exposure to English language outside the classroom.

Instruments

Three major instruments were utilized in our study to operationalize the intended purposes. That is, we employed the following data collection techniques which are explicated below:

Proficiency test

This study was conducted with 60 EFL learners chosen from among 100 learners based on their proficiency scores. The proficiency test PET (Cambridge Preliminary English Test) was administered to make sure as to the homogeneity of the two groups in terms of their level of proficiency. The test included two parts, namely, a reading-writing part and a listening part.

Essay composition

The participants of the study were required to compose two descriptive essays on two different assigned topics. That is, for their first essay, both male and female groups were required to compose a descriptive essay of 200 words length within 20 minutes. Immediately after the introduction to the task and topic, the participants composed a descriptive essay without any planning time prior to composition. The assigned topic was: describe one of the places that you have visited recently.

For the second essay, however, another descriptive topic was assigned to both groups of the study. They were required to compose an essay of the same length within 20 minutes but were provided with ten minutes of planning time to plan for a descriptive topic prior to the composition. The participants were asked to describe the trip they had taken with their family or friends.

Procedure

Our study was conducted with 60 EFL learners of English who sat for the PET exam one week prior to the composition of essays. To achieve the intended purposes, attempts were made to compare the effects of pre-task planning between the male and female groups as well as its impact in planning and no-planning conditions. For this to happen, the participants sat for two different sessions during which they composed two descriptive essays within the standards established. For the first essay, the two groups were provided with no planning time while they composed their second essay under planning condition with ten minutes of time available for planning. Following the data collection, the composed essays were quantified and then submitted to statistical analyses. A couple of Independent Samples t-tests were run to reveal the potential differences between the two groups of the study with respect to the syntactic accuracy and complexity of their written outputs.

Variables measurement

Collecting the data, the two groups’ written compositions were coded for T-units. A T-unit, according to Ramirez (2000), is an independent clause along with all subordinate clauses attached to or embedded in it. The written essays were compared and measured according to the syntactic accuracy
and grammatical complexity. The measurement of each dimension of writing performance is explicated below:

Syntactic accuracy (SA): Wolfe-Quintero, Inagaki & Kim (1998) define accuracy as the degree of divergence from a particular norm which can be conceived of as errors. Following them, we counted the number of errors and then we divided the number of errors to the number of T-units. However, errors of punctuation, capitalization, lexical choice, and spelling of any type were excluded unless they impeded the intended meaning. In this measure, therefore, the lower the number, the higher the accuracy would be.

Grammatical complexity (GC): To measure the complexity of learners' writing performance, the number of dependent clauses per T-unit was used in this study (Wolfe-Quintero, et al., 1998). To calculate this, the number of embedded clauses was initially counted, and then the total number of all embedded clauses was divided to the number of T-units.

Data analysis and results

PTP time and SA

The first research question sought to investigate if PTP time influences the SA of EFL male and female learners’ written outputs. Independent Samples t-tests were run to compare the existing differences.

Table 1: Descriptive Statistics and Independent Samples t-tests for the SA – Male and Female Groups

<table>
<thead>
<tr>
<th>Groups / Conditions</th>
<th>N</th>
<th>Mean</th>
<th>Std.</th>
<th>t</th>
<th>df.</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Unplanned</td>
<td>30</td>
<td>0.42</td>
<td>0.15</td>
<td>0.64</td>
<td>56</td>
<td>0.52</td>
</tr>
<tr>
<td>Planned</td>
<td>30</td>
<td>0.39</td>
<td>0.17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female Unplanned</td>
<td>30</td>
<td>0.60</td>
<td>0.11</td>
<td>3.26</td>
<td>58</td>
<td>0.00</td>
</tr>
<tr>
<td>Planned</td>
<td>30</td>
<td>0.49</td>
<td>0.15</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As illustrated by Table 1, the mean scores for the Male group are 0.42 and 0.39 in the unplanned and planned conditions respectively. With respect to accuracy dimension of written performance, the lower the score, the higher the accuracy. Although the male group performed accurately in the planned condition, their written performance did not differ significantly in comparison with their performance in the unplanned condition (p= 0.52).

For the female group, the mean scores in the unplanned and planned conditions are 0.60 and 0.49 respectively. That is to say, the female group was more accurate in the planned condition and the statistical difference between the two conditions of planning was significant (p= 0.00).
PTP time and GC

The second research question addressed whether PTP time influences the GC of EFL male and female learners’ written outputs. Another Independent Samples t-test was run to gain insight into the effectiveness of PTP time between the two groups. Table 2 indicates the results.

**Table 2:** Descriptive Statistics and Independent Samples t-tests for the GA – Male and Female Groups

<table>
<thead>
<tr>
<th>Groups / Conditions</th>
<th>N</th>
<th>Mean</th>
<th>Std.</th>
<th>t</th>
<th>df.</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Unplanned</td>
<td>30</td>
<td>0.52</td>
<td>0.14</td>
<td>-2.42</td>
<td>58</td>
<td>0.01</td>
</tr>
<tr>
<td>Planned</td>
<td>30</td>
<td>0.61</td>
<td>0.12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female Unplanned</td>
<td>30</td>
<td>0.51</td>
<td>0.11</td>
<td>-.94</td>
<td>58</td>
<td>0.34</td>
</tr>
<tr>
<td>Planned</td>
<td>30</td>
<td>0.55</td>
<td>0.20</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The mean scores for the male group are 0.52 for the unplanned and 0.61 for the planned conditions. For the complexity, the higher the score, the higher the complexity. Therefore, the male participants were more complex in their writing performance in the planned condition. In addition, their written output differed significantly in comparison with their performance in the unplanned condition (p= 0.01).

Similarly, the participants in the female group were more complex in the planned condition (mean score= 0.55) rather than in the unplanned condition (mean score= 0.51). Their written performance, however, did differ significantly in the two conditions (p= 0.34).

PTP time, gender, SA and GC

With respect to the third research question, an attempt was made to realize whether there are any significant differences between male and female learners’ writing performances in terms of SA and GC in the planning condition. Table 3 illustrates the obtained findings for the impact of PTP between the groups of the study in terms of SA and GC.

**Table 3:** One-Way ANOVA for the SA, GC, and Gender

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df.</th>
<th>Mean Squares</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accuracy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>0.129</td>
<td>1</td>
<td>0.129</td>
<td>0.03</td>
</tr>
<tr>
<td>Within Groups</td>
<td>1.601</td>
<td>58</td>
<td>0.28</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.730</td>
<td>59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complexity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>0.54</td>
<td>1</td>
<td>0.054</td>
<td>0.17</td>
</tr>
<tr>
<td>Within Groups</td>
<td>1.680</td>
<td>58</td>
<td>0.029</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.734</td>
<td>59</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As shown by the results of ANOVA, the two groups of the study differed significantly with respect to SA (p= 0.03) while there was no statistical significant difference in terms of GC (p= 0.17). That is to
say. The male and female groups displayed significantly different performances with respect to SA but not for GC as a result of the PTP time. Therefore, the two groups of the study performed significantly different only in terms of SA in the planning condition.

Discussion and conclusion

The present study sought to explore the role and impact of PTP time on EFL upper-intermediate learners’ written output in terms of SA and GC with a central focus between male and female learners. It was assumed that L2 learners possess limited capacities of attention and hence they make choices when attending to two simultaneous aspects of language. That is, they often tend to pay attention to meaning rather than form when performing a task. To trade-off this, planning time was proposed to compensate for their limited attentional resources.

Employing a range of measures, our study revealed remarkable findings with respect to the SA and GC of male and female learners in their written output. The first research question addressed the impact of PTP time on the SA of male and female learners in the planning conditions. The results suggest that when both male and female learners are provided with the PTP time prior to the task performance, they tend to perform more accurately rather than in no-planning condition. While the difference between the no-planning and planning conditions was statistically significant for the female group, the male group did not manifest a significantly different performance when given planning time. This can be explained in terms of the individual differences that EFL learners bring with them to the learning settings and hence this leads to a different performance in their written outputs. The EFL female learners tend to be more accurate than their male counterparts in the planning condition.

The second research question investigated the GC of participants in the planning condition. The findings, as with SA, revealed that both male and female learners displayed a more complex performance in the planning conditions when compared with the no-planning performances. Unlike SA, GC was higher in the male group and the difference was statistically significant. It can be suggested that EFL female learners’ performance is less complex in the planning condition.

In addition to the within-group differences, one-way ANOVA was conducted to realize whether the PTP can have a significant effect between the SA and GC of both male and female learners. The results suggested that the two groups of the study performed significantly different with respect to SA in the planning conditions. The findings, however, did not reveal any significant difference in terms of the GC between the two groups.

In a nutshell, PTP does have a positive effect on the two dimensions of SA and GC when EFL learners are provided with it prior to their task performance. The facilitative role of PTP, however, tends to be different for male and female learners in the writing process. Male learners perform less accurately than female learners, but they tend to write a more complex essay than female ones in the planning conditions. This can be explained in terms of individual differences which learners bring to the educational settings and the essential attention which researchers and educators should pay when theorizing and designing tasks for productive skills.

References


Ellis, R. (Eds.). (2005), Planning and Task Performance in a Second Language (pp. 3-34). Amsterdam/Philadelphia: John Benjamins Publishing Company


Students' Perceptions on the Effectiveness of Using Edmodo in EFL Classes

Houda Salim Al-Ruheili, Sohar College of Applied Sciences, Sultanate of Oman
Asiya Abdallah Al-Saidi, Sohar College of Applied Sciences, Sultanate of Oman

Abstract

Nowadays, many social learning environments and educational tools are available on the internet for free for both teachers and students. Edmodo is one of them; it is being used widely by many higher education institutions around the world. However, there is still a limited research on its effectiveness on enhancing students' learning experiences in the Sultanate of Oman. Thus, this research paper focuses on our experience of using Edmodo with students at Sohar College of Applied Sciences (CAS-Sohar). It aims at exploring their perceptions on the usefulness and the challenges of integrating Edmodo into English classes. A questionnaire was conducted with 50 foundation year students, and the findings in general revealed very positive results. Using Edmodo has raised their motivation level to participate and engage in different types of activities inside and outside the classrooms. Not only that, but also it has empowered them to be autonomous and to take more responsibility of their own learning. This research paper is an attempt to open the door for further research on this area within the Omani context.

Keywords: Edmodo, perceptions, usefulness, challenges, EFL

Introduction

The 21st century education exceeded the classroom boundaries; with the emergence of the World-Wide Web, many social learning environments and educational tools has existed online and has become of easy access to both teachers and their students. Integrating one of these tools into everyday teaching and learning has become a requirement of this century education. Among many of them, Edmodo has been ranked as one of the top learning tools by five hundred plus professionals from 48 countries around the world (Enriquez, 2014). It is being used on a daily basis by more than fifty million teachers and students around the world (Edmodo Website, 2015). Recent studies in different educational contexts have proven its effectiveness as an aid to complement face-to-face classroom interactions (Al-Saïd, 2015; Al-Kathiri, 2015; Enriquez, 2014). Nevertheless, in the Omani context, Edmodo is little known, and is not widely used at higher educational institutions to effectively assist everyday class teaching. Therefore, this study aims at reporting students' perceptions on utilizing Edmodo as a complement to English as a foreign language (EFL) classes at Sohar College of Applied Sciences.

Background to the context

Sohar College of Applied Sciences (CAS-Sohar) is one of the six colleges under the umbrella of the Ministry of Higher Education in Oman; it grants Bachelor degrees in Engineering and Information Technology (Ministry of Higher Education, 2014). Students at CAS Colleges have to study English language courses as part of their foundation year. They also take English for Specific Purposes (ESP) courses during their first and second year of study at the colleges. In 2006, The Ministry of Higher Education has purchased an E-learning platform named Blackboard (Bb). Since then, all faculty members and students at CAS colleges are encouraged to utilize its e-tools to pursue the current trend of integrating technology into teaching (Al-Naabi, & Gattoufi, 2007). With the rapid growth and popularity of social learning environments and educational tools, teachers at CAS colleges continuously attempt to integrate technology to enhance their everyday teaching practices.
Literature review

This section highlights some research findings of the benefits of integrating technology into EFL classes. Then, it introduces Edmodo as an effective educational tool to enhance students’ learning processes. Next, it draws on the literature on the advantages and the challenges of using Edmodo as a complement to traditional EFL classes.

Integrating technology into EFL

Technology has become a constructive tool that plays a substantial role in enhancing the educational practices of teachers and their students. It has crossed the traditional classroom walls to virtually involve students in various tasks and interactions within digital communities. This part of the literature draws briefly on course management systems (CMS), social networks and mobile applications as they are among the most popular and commonly used technological tools in the field of education.

To begin with, a course management system (CMS) is a framework with a set of tools which allows the creation of online courses (Meerts, 2003). Usually, higher education institutions tend to adopt a course management system to complement and support traditional teaching. To illustrate, Blackboard (Bb) is adopted at Colleges of Applied Sciences; it has several features and e-learning tasks including uploading course materials and assignments, assessments, announcements, quizzes, surveys, grade books, attendance, and a build-in plagiarism checker called SafeAssign (Gattoufi, 2011). The literature in this area has proved that the successful implementation of CMS has a positive impact on EFL courses in terms of gradually shifting students to a more student-centered learning involvement (Robertson, 2008).

Secondly, social networking is a service that enables users to interact with each other, share information and construct an active continuous virtual community through the creation of system profiles and online groups (Brooke, 2013). According to Al-Mukhaini, Al-Qayoudhi, and Al-Badi (2014), if you are not involved in social networking, then you are not alive. It is believed that the idea of utilizing social networking within educational contexts can be traced to Siemens (2004) and Downes’ (2007) Connectivism Theory where social learning is integrated with social media technologies (Al-Kathiri, 2015). This means learning and constructing knowledge occur by engaging in social interactions and discussions. By considering the research literature on this area, a substantial number of studies exploring the effective role of using social networking on empowering EFL learning have shown positive results including enhancing students’ knowledge construction, participation, motivation, and autonomous learning (Al – Mukhaini, Al - Qayoudhi & Al – Badi, 2014; Brooke, 2013).

Thirdly, mobile learning (m-learning) is a recent learning technology that permits the use of mobile devices such as smart phones, PADs and handheld computers for educational purposes (Al-Said, 2015). These devices provide ongoing, informal, spontaneous learning opportunities (Kukulska-Hulme et al, 2011). In this regard, a number of studies have affirmed the beneficial role of M-learning to enhance students’ learning experiences (Kukulska-Hulme and Traxler, 2005, Mehdipour and Zerehkafi, 2013).

Edmodo and its features

Among many available technological educational tools, Edmodo has recently become very popular; it is a private micro-blogging service available at www.edmodo.com which provides a free and secure learning platform (The Edmodo Teacher Guide, n.d). In other words, it is a social media platform often described as a Facebook for education (Enriquez, 2014). It looks similar to Facebook, but is much more private and safer for a learning environment in terms of allowing only teachers to create and manage accounts, and only their students, who receive a group code and register in the group, can...
access and join the group (Majid, 2011). This service is accessible through an application on any mobile devices with internet capabilities. Via Edmodo, teachers can send out quizzes and assignments, give feedback, receive complete assignments, assign grades, store and share content, maintain a class calendar, conduct polls and send alters to individual students or to the entire class (The Edmodo Teacher Guide, n.d). Not only that, but it also offers parent accounts through which parents can obviously follow their students’ progressed (Majid, 2011). Considering all its features, Edmodo, if adopted successfully, is a great complement to traditional face-to-face classroom teaching because it seems to be a three-in-one application; it combines all the features of course management systems (CMS), social networks and mobile learning.

**Students’ perceptions of using Edmodo in EFL classes**

Since Edmodo has been recently implemented as a supplementary tool in EFL classes within various educational contexts, a number of studies have examined its effectiveness from students’ point of view. They all have reported positive results (Al-Khathiri, 2011; Al-Said, 2015; Enriquez, 2014; Majid, 2011; Thongmak, 2013).

Al-Khathiri (2015) conducted an experimental study with 42 Saudi EFL female students. They were divided into two groups; the experimental group had Edmodo as a complementary tool to their English classes for a period of six weeks. In contrast, the control group had traditional teaching only. Her findings, drawn from two questionnaires, revealed that using Edmodo has remarkably raised students’ motivation level towards learning English. “The chat features of Edmodo allow students to broaden both the type and the amount of their communication offering them opportunities to increase their confidence and motivation” (P.198). Not only this, but also using Edmodo has fostered autonomous and self-directed learning as students receive instant comments and reviews on their posts which assists them in constructing new knowledge (Al-Khathiri, 2015). Within the same context, Al-Said (2015) supported her findings by indicating that Edmodo as a mobile phone application contributed in increasing effective communication and engagement between the students and their teacher at the right time. These findings were driven from a questionnaire completed by 27 university students who experienced using Edmodo application during a whole semester. Likewise, a big scale study affirmed a considerable number of benefits of using Edmodo in EFL classes (Enriquez, 2014). He explored the perceptions of 200 students through a distributed questionnaire plus focus group interviews with 35 students. The findings significantly revealed that Edmodo is viewed as an effective social media application that can “improve their (students) learning through an active participation in online discussions and tasks” (Enriquez, 2014, p. 5). In addition, he highlighted that being able to constantly access the course materials as well as to contact the teacher are among the main perceived advantages. Thongmak (2013) and Majid’s (2011) studies echoed the same positive results.

Despite the above mentioned advantages, implementing Edmodo, as any other technological tools, encounters some challenges. One of these challenges is low internet speed and internet connection problems as highlighted by Al-Khathiri (2015) and Enriquez (2014). Another challenge of using Edmodo as a mobile application is the small-sized screen of the phones which makes it difficult for students to view all the course materials on the phone (Al-Khathiri, 2015). This finding supports earlier claims on considering the small-sized screen as a barrier to implement mobile learning (Addison, 2011; Saleem, 2011). However, Al-Said’s (2015) findings contradict with this claim as the participants of his study do not view the small-sized screen as a barrier.
Significance of the study

As Blackboard has been implemented at Colleges of Applied Sciences in the Sultanate of Oman, teachers conducted studies to evaluate its effectiveness in enhancing teaching and learning processes. Gattoufi (2011) conducted a study within CAS-Sohar context examining its effectiveness. He asserted its efficient use for both teachers and students especially when it comes to sharing course materials and uploading assignments. However, his case study highlighted two main drawbacks of using Blackboard as a course management system (CMS). Firstly, Bb is not available all the time as losing connections with the main server frequently occurs. Secondly, it has management restrictions as only administrators at the Ministry of Higher education can add new courses to the system. Subsequent to Gattoufi (2011), Al-Bulushi and Al-Shehhi (2015) conducted another study investigating the real practices of using Blackboard by CAS-Sohar teachers. It revealed that Blackboard has a positive impact on enhancing teaching quality in general. “Although the faculty members (teachers) have emphasized that Blackboard has a positive impact on enhancing teaching quality, most of them have stated that not using the Blackboard will not affect the educational process” as they can find other alternatives when Blackboard is not available (Bulushi & Al-Shehhi, 2015, p.8). Thus, to overcome the weaknesses of using Blackboard and to contribute in providing other alternatives to effectively integrate technology into teaching at CAS-Sohar, we implemented Edmodo during a fourteen week semester to supplement English as a Foreign Language (EFL) classes.

Research questions

The current study aims at exploring the perceptions of CAS-Sohar students on the effectiveness of using Edmodo in EFL classes. Specifically, it seeks to answer the following two research questions:

1. What are the advantages of using Edmodo as a supplementary tool for EFL classes?
2. What are the challenges of using Edmodo as a supplementary tool for EFL classes?

Methodology

Participants

The participants of this study were foundation year students at CAS-Sohar. They were all Omanis aged between 18-20 years old. The sample included 50 students from three different EFL classes enrolled during the academic year 2014/15.

Research methods

A questionnaire was distributed to 50 students to gather the required data. It has four sections (see Appendix 1). The first section explores the students’ basic bio-data including the age and the gender, while the second part is a five-point Likert Scale. It has 12 statements aiming at investigating students’ perceptions toward the advantages and the challenges of using Edmodo. To support the quantitative data collected from section 2, section 3 gives students space to add more perceived advantages and challenges. Finally, the last section asks students to give a summative evaluation of the effectiveness of using Edmodo in EFL classes within a scale out of 10.

Procedures

At the beginning of the semester, we created three Edmodo groups for our EFL foundation classes at CAS-Sohar. Then, we introduced Edmodo to our students and asked them to download the free Edmodo application on their mobile phones. They signed up by using the group code given by the teacher. They experienced using Edmodo on a daily basis in terms of viewing course materials and announcements, involving in classroom activities, having online discussions, contrasting knowledge,
and being constantly in contact with the teacher and their peers. At the end of the semester, they were given a questionnaire to explore their perceptions on the effectiveness of using Edmodo.

Findings and discussion

This section presents the findings and the discussion of the current study. The data drawn from the closed-questions of the questionnaire were analyzed by using an Excel spreadsheet. Then, the analysis of the data was categorised into main themes which were driven based on the research questions and the reviewed literature. The first section shows the general students’ perceptions on viewing Edmodo as a useful and effective application used in EFL classes. The second section sheds light on the students’ perceived advantages of integrating Edmodo in EFL classes. The challenges of using Edmodo as a complement tool to traditional EFL classes, as viewed by students, are presented in the third section.

Perceptions of students toward using Edmodo in EFL classes

Figure 1 below illustrates the students’ beliefs on the usefulness of Edmodo application to improve students’ learning. It can be obviously seen that the majority of them (N: 40) agree and strongly agree that “Edmodo is a useful application that improves students’ learning”, while only one student disagrees with this notion. Similarly, the highest number of students gave 8 out of 10 as a rate for the effectiveness of using Edmodo in EFL classes as shown in Figure 2 below. In particular, noticeable percentages of the students believe that Edmodo can be effective both during the class time as well as outside the class according to the results driven from statements 8 (36%) and 9 (44%).

These findings generally reveal that the students hold positive perceptions toward the usefulness and the effectiveness of using Edmodo in EFL classes to enhance their learning practices. These positive perceptions of students build on what has been discovered by Al-Khatiri (2015), AlSaid (2015), Enriquez (2014), Majid (2011), and Thongmak (2013) about the effectiveness of using Edmodo.
Advantages of using Edmodo in EFL classes

Table 1: The advantages of using Edmodo in EFL classes

| Q. Statements                                                                 | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
|                                                                              |                |       |         |          |                  |
| 2 Using Edmodo enhances my learning motivation.                             | 17%            | 44%   | 39%     | 2%       | 0%               |
| 3 Edmodo allows me to easily interact/participate with my classmates and teacher. | 22%            | 50%   | 26%     | 2%       | 0%               |
| 4 Edmodo allows me to easily access the reference materials on the course provided by the teacher. | 24%            | 42%   | 28%     | 6%       | 0%               |
| 5 I find it effective to use the direct messages on Edmodo to ask my teacher for assistance in my studying. Edmodo creates a friendly learning atmosphere between the group members. | 24%            | 50%   | 20%     | 4%       | 2%               |
| 6                                                                 | 28%            | 44%   | 26%     | 2%       | 0%               |

The above table shows the results of five questionnaire items which are related to the advantages of using Edmodo in EFL classes. Generally, the majority of students believe on the power of Edmodo in motivating them to learn English and engaging them to participate, scoring 61% and 72% respectively. This is due to the features of Edmodo such as the online discussions and chatting that can create a friendly stress-free learning atmosphere. Particularly, most students do not feel afraid of making mistakes within Edmodo group tasks as they feel that all the members are as a unity constructing a sharing knowledge. In this respect, it can be said that Edmodo is an appropriate environment for shy students, in particular, to express and share their interests. Moreover, students find Edmodo as a factor that could build and strengthen the relationships between the Edmodo group members including the teacher. All of these findings support the Connectivism Theory which affirms the role of belonging to a digital community in motivating and engaging students (Siemens, 2004; Downes, 2007).

In addition, students agree that integrating Edmodo gives them an easy access to the course materials at anytime and anywhere (42%). Not only having access to the course materials but also constantly contacting their teacher by sending direct messages via the application can assists them in their learning processes (50%). What can be drawn from these results is that Edmodo can play a significant role in encouraging students to take more responsibilities for their own learning and to be
autonomous learners. The students’ autonomous learning can be achieved through the continuous exposure to vivid interactions and intensive connection within the Edmodo virtual environment at anytime and anywhere. More importantly, most students nowadays are fascinated of using social networking applications, and they constantly and independently access and participate on them via their own mobile device.

All the above mentioned findings correlate with the findings of some recent studies conducted by Al-Khathiri (2015), and Enriquez (2014) as shown earlier in the literature part.

Challenges of using Edmodo in EFL classes

Figure 3 above shows that statement 11 of the questionnaire “Facing internet connection problems while using Edmodo is one of its implementation challenges” score 68% of both students’ agreement and strong agreement. This means that the internet connection obstacles are considered as one of the main challenges of using Edmodo. This can be due to the fact that there is no available college Wi-Fi for students; instead they have to use their own network data on their mobile phones. Based on these findings, the low speed internet and connection problems tend to be one of the major challenges of using Edmodo among students at CAS-Sohar. This supports earlier results found by Al-Khathiri (2015) and Enriquez (2014) as they conclude that internet connection problems are viewed as a main challenge of using Edmodo because some students could be left behind on the activities posted on Edmodo.

On the contrary, Figure 4 below illustrates that handling the small-sized screen of the phone while using Edmodo does not seem to be a considerable barrier for students because only 6% of them agree and strongly agree with statement 12 in the questionnaire which is “The small-sized screen causes me difficulty while using Edmodo”. In contrast, 44% of them disagree with it, whereas, 42 % of the students express neutral view regarding this concept. These figures make it clear that a considerable percentage of the students do not perceive the small-sized screen as a barrier of using Edmodo. In other words the small size of the phone screen does not negatively affect learning. An earlier researcher (Al-Said, 2015) has already affirmed the similar findings. This is despite of the claim of other researchers (Addison, 2011; Al-Khathiri, 2015; Saleem, 2011) who indicated that the small-sized screen can be as a challenge of using mobile learning.
Figure 4: “The small-sized screen causes me difficulty while using Edmodo”

Another barrier of using Edmodo has been drawn from the data gathered from the open-ended question in section 3 of the questionnaire. This barrier is facing a difficulty in understanding and following the procedure of Edmodo, specifically on how to send private messages to the teacher. Nonetheless, this was only encountered by a few students. In this regard, parallel findings have been discovered by Enriquez (2014) conforming that following the Edmodo procedures can be a challenge for some the students.

Conclusion

In brief, this research paper has explored students’ perceptions on the usefulness and the challenges of using Edmodo in EFL classes at Sohar College of Applied Sciences. Generally, the findings of the study are highly positive and they stress out that Edmodo has effectively enhanced and enriched students’ learning experiences. It has raised their motivation level to participate and to engage in different types of activities inside and outside the classrooms. More importantly, it has assisted them to be independent and to be responsible of their own learning. It is worth mentioning that facing network connection problems was one of the main challenges of implementing Edmodo as a complement to traditional EFL classes. Therefore, it is recommended that free Wi-Fi service at the college campus should be provided to all students. In respect to the study limitations, not all the features of Edmodo have been utilized while implementing Edmodo. For instance, assignments and grades tools were not used because students have to submit their assignments through Blackboard. Lastly, one limited study is not enough, and more studies should be conducted examining all features of Edmodo within the Omani context. This will lead to establish valuable literature on this area so that collaborative improvement actions can take place when utilizing Edmodo by its stakeholders to purposefully achieve its educational targets.

References


**Appendix: 1**

**Questionnaire**

Recently, Edmodo application has been used in different teaching contexts. Obtaining feedback from students is vital to improve its implementation. Therefore, we are conducting a study on the “students’ perceptions on the effectiveness of using Edmodo in EFL classes”. Let your voice be heard. We would appreciate your taking the time to complete the following questionnaire. Your responses are voluntary and will be confidential. Responses will not be identified by individual. All responses will be compiled together and analyzed as a group.
Section 1: Put √ in the correct box below

1. What is your gender? (Please tick one box only)
   □□Male □□Female
2. I am ...................... years old.

Section 2: To what extent do you agree or disagree with the following statements.

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Edmodo is a useful application that improves students’ learning.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Using Edmodo enhances my learning motivation.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Edmodo allows me to easily interact/participate with my classmates and teacher in group tasks and other course activities.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Edmodo allows me to easily access the reference materials on the course provided by the teacher.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>I find it effective to use the direct messages on Edmodo to ask my teacher for assistance in my studying.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Edmodo creates a friendly learning atmosphere between the group members.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>I feel afraid of making language mistakes in group discussion tasks.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Edmodo is effective during class time.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Using Edmodo outside the class time is effective.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Using Edmodo is boring.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Facing internet connection problems while using Edmodo is one of its implementation challenges.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>The small-sized screen causes me difficulty while using Edmodo.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Section 3: What are other advantages and challenges of using Edmodo in EFL classes?

(Advantages): .................................................................

(Challenges): .................................................................

Section 4: How would you rate the effectiveness of this application out of 10?

1 2 3 4 5 6 7 8 9 10
Conceptual Framework of Integrated Sustainable Homestay in Malaysia

Aziz Amin, Universiti Sultan Zainal Mohd Abidin, Malaysia
Yahaya Ibrahim, Universiti Sultan Zainal Mohd Abidin, Malaysia
Hawa Husna, Universiti Sultan Zainal Mohd Abidin, Malaysia
Mohd Shaladdin Muda, Universiti Malaysia Terengganu, Malaysia

Abstract

A Model of Integrated Rural Tourism plays significant roles to sustain the Community Based Homestay in Malaysia. The Integrated Rural Tourism took account various resources (cultural, social, environment and economy) to integrate into various stakeholders in order to promote Homestay development. Thus, this paper will discuss the concept of Integrated Rural Tourism and Model of Integrated Rural Tourism that will be useful to long term sustainability of Community Based Tourism.

Keywords: integrated rural tourism, homestay, rural tourism, community based tourism

Tourism Industry

The tourism industry is a rapid growing industry and contributes to the economic enhancement as well as development of a country. According to World Tourism Organization (UNWTO), tourism industry is a fundamental contributor towards economy recovery by generation billions of dollars in exports and creating millions jobs. The international tourist arrival reached 1,138 million in 2014 while Asia and the Pacific regions increased in tourist arrival from 13 million to 263 million. For year 2015, UNWTO forecasts international tourist arrivals to grow between 3% and 4% and growth is expected to be stronger in Asia and the Pacific and followed by other regions. Tourism industry development is a high priority agenda for nations and communities everywhere. Thus, it is essentially an economic endeavor which generates social capital as a competitive advantage (Brida et al., 2010).

Yusof et al. (2010) stated that tourism industry was not regarded as an important economic activity in Malaysia up until the 1970s, but recently the tourism sector has ranked second in generating foreign exchange after the oil and gas industry. The World Travel & Tourism Council (WTTC), declared Malaysia as a destination full of unrealized potential with the main strength as the availability of a vast range of diverse attractions to suit all tastes and relatively affordable prices. As such, Malaysia had increased the tourism promotions, arranged various programs and events, as well as diversified and upgraded the tourism-related facilities. Tourism Malaysia set a national mission to achieve the National Key Economic Areas goal of 36 million tourist arrivals and RM168 billion in tourist receipts by 2020 (Tourism Malaysia, 2014).

In order to encourage tourism expansion and development towards a greater sustainability, Malaysia Government has allocated RM 316 million for tourism industry. The successful initiatives to promote Visit Malaysia 2014 campaign has lead Ministry of Tourism and Culture to designated year 2015 as Malaysia Year of Festival. Thus, it will be great opportunity for Malaysia with multicultural society, historical background and attractions to promote Community Based Tourism especially for homestay programs which offer tourist to interact, gain knowledge, and experience the life style and culture of the host family as well as the local community. In addition, Malaysia's strong positioning as the 10th Most Visited Country in the world in 2012, 2nd Most Visited Country in Asia Pacific and listing by Lonely Planet as one of the top 10 destinations to visit in 2014 are all factors that will increase tourist arrival in year 2015 (Tourism Malaysia, 2014).
Community Based Tourism – Homestay Program

Community Based Tourism can be delineated as a form of tourism `where the local community has substantial control over, and involvement in, its development and management, and a major proportion of the benefits remains within the community (Razzaq et al., 2013). Community based tourism is a form of rural tourism that has increasingly been accepted in most developing countries as a strategy towards poverty reduction (Goodwin, 2006). According to Murphy (1985), the concept of Community Based Tourism has emerged in response to the negative impact of mass tourism that took place during the early stages of tourism development; particularly towards local people. Attributable to the potential of Community Based Tourism towards community development, many rural communities have turned to tourism as a way of diversifying their economy activities (Briedenhann & Wickens, 2004; Mair, 2006). Community-based tourism (CBT) is promoted as a strategy to foster community development in developing countries, as a means of both poverty reduction and community development. CBT is also ‘gaining popularity’ in fostering positive environmental and social impacts (Baktygulov & Raeva, 2010).

Malaysian homestay is a type of community based tourism that employs a somewhat different concept than homestay tourism in other region. Located mostly in rural areas, the homestay is the location where the tourist will reside, have meals and be entertained by the cultural performances and traditional activities of the host and participating villagers (Aminudin and Jamal, 2006). Lynch, McIntosh and Tucker (2009) characterized homestay as the buying and selling of more than “just a bed” where the host would consider hosting as a lifestyle choice. The term “home-stay” refers to utilizing privately owned residential housings in conjunction with local humanities, natural landscapes, environmental resources, as well as agricultural, forestry, fishing, and hunting industries to provide travelers with a place to stay in the country (Chang, Jiang & Lan, 2009).

Integrated Rural Tourism

An integrated approach to rural tourism is increasingly important in line with developments in the tourism sector worldwide. Integrated rural tourism has various interpretations and dimensions according to different situations. In general, Integrated Rural Tourism can be defined as the potential of tourism to preserve the rural environment and as tourism that is explicitly related to the economic, social, cultural, natural and human structures of the environment where it is developed. In practical terms, it refers to tourism that has clear connections to local resources, products and inhabitants (Jenkins & Oliver, 2001; Oliver & Jenkins, 2003; Saxena et al., 2007). Its main objective is to promote environmental, economic, and socio cultural sustainability in tourism and to empower local people, given that the decision and action power stems from the inhabitants of the area (Cawley & Gillmor, 2008).

The interdependence of components in Integrated Rural Tourism is multi-dimensional, intended to promote the development of tourism on the strength of local resources – historical, cultural, landscape-based – and the interplay between individual personalities and networks of exchange. Hence, the destination’s specificities are able to compete globally (Saxena & Ilbery, 2010). The framework of Intergrated Rural Tourism has been proposed by scholar to overcome the problems between rural tourism, rurality and tourism (Saxena, 2007).

In changing the trends in tourism demand, the notion of Integrated Rural Tourism is intended to open up practical ways of thinking about improving linkages between tourism and local and regional resources, activities, products and communities (Saxena, Clark, Oliver & Ilbery, 2007). The notion of integration provides a means of thinking about ways of bringing diverse actors, networks and resources together more successfully into networks of cooperation and collaboration (Saxena, 2005). Integrated Rural Tourism concept aim to capture the type of tourism that elevates link with economic, social, cultural, natural and human resources in the localities where rural tourism activities take place. However, the absence of an integrative framework for managing this diversity of stakeholders and structures has been identified as a weakness in developing the rural tourism. (Mitchell & Eagles,
Therefore, developing model of Integrated Rural Tourism will enhance rural tourism that contains various stakeholders such as tour operators, business owner, host community members and agencies.

The proposed Model of Integrated Rural Tourism is adapted from Saxena (2007) in her Model of Integrated Rural Tourism which are constructed by seven different dimensions: networking; scale; endogeneity; sustainability; embeddedness; complementarity; and empowerment. The dimension of networking, embeddedness and empowerment are in relationship to promote local participation in managing cultural and economic resources. This model emphasize that these seven dimension will centralize the role of local actors and communities in rural transformations by highlighting the local needs, benefits and control in rural development. Perhaps, this model will be useful to integrate into local rural settings without compromising the rural characteristics of the environment, communities and ways of living (Saarinen & Lenão, 2014).

Besides that, the conceptual Model of Integrated Rural Tourism is also adopted from (Cawley and Gilmor, 2008) model. They suggest seven features as being characteristic of integration in the domain of rural tourism: an ethos of promoting multidimensional sustainability, the empowerment of local people, endogenous ownership and resource use, complementarity to other economic sector and activities, appropriate scale of development, networking among stakeholder and embeddedness in local system. When dealing with rural tourism development, the real challenges is to balance the various priorities in appropriate way because it involve with various stakeholders. Cawley and Gilmor (2008) emphasized that this model will be useful to be operated to various level of stakeholder in the industry. Effective networking and appropriate local embeddedness will be instrumental to achieve the overall strategy of sustainability.

Source: Saxena (2007)
The purpose of the conceptual framework based on the model Cawley M & Gillmor DA (2007) as modified from the original model by Jengkens T and Olver (2001). This model consists of indicators such as local leadership, government support, organizational culture, branding, environment, socio-economic, organizational capability and community participation.

Figure 1: Conceptual Framework
Conclusion

The objective of the development of the homestay program in the rural areas is to increase the quality of life and to enhance the revenue among the local community. The current issues of the homestay program now is how to sustain the homestay program in the future. Thus the proposed conceptual framework of integrated sustainable homestay based on the previous literature and theoretical which are includes the inclusive variables such as organizational culture, branding, environment, socio economic, organizational capacity, community participation, local leadership and government support will create a new integrated indicators of sustainable homestay program in Malaysia.

References


Alternative Punishments in Criminal Offences: Issues and Challenges in Shariah Courts in Malaysia

Jasri Jamal, The National University of Malaysia, Malaysia
Hasnizam Hasyim, The National University of Malaysia, Malaysia
Nor Aziah Awal, The National University of Malaysia, Malaysia
Mohd Azam Sharif, The National University of Malaysia, Malaysia

Abstract

Implementation of alternative punishment other than imprisonment, fines and strokes is not something new in other countries such as United States, United Kingdom, New Zealand, Singapore, Brunei, Japan, the Netherlands and South Africa. In Malaysia, the punishment was introduced in 2007 such as community services, paroles, bond and detain the offender in shelter. However, the practice of this kinds of alternative punishment in the Shari’ah Court still long debate among shari’ah law scholars in Malaysia. Shari’ah Court in Malaysia under section 2 of the Shari’ah Courts (Criminal Jurisdiction) Act 1965 amended in 1984 only provide power to the Shari’ah Court for sentencing three years in prison or a fine of RM5000 or 6 strokes or a combination of the penalties. Most the shari’ah offender will put into imprisonment and mix around with other detainees. Alternative punishment means the Court has a power to sentence offenders apart from the punishment provided. Among others is replacing the penalty or additional penalty, to commit convicted person to rehabilitation centers and to command for good behavior for young offenders) and first-time offenders in Shari’ah Court. Therefore, the research aims to solve this problems and to develop a module of alternative to shari’ah offenders that(to be) to be implemented a better way in the shari’ah legal system in Malaysia in order to uphold justice and ensure that the sentence to be executed really meets the objectives of the purpose of the shari’ah law.

Key words: alternative punishment, Shari’ah Court, Malaysia

Introduction

Malaysia has two judicial system that pass sentences to the offender which are the Civil Court and the Syariah Court. The Civil Court was established under the jurisdiction of the Federation which applies to all people. It has a very wide jurisdiction that allows the court to pass death sentence. Meanwhile, the Shariah Court was established under the jurisdiction of the State. As an addition to that, it also invested with jurisdiction over persons professing the religion of Islam. Its jurisdiction only covers Islamic family matters and a few Shariah criminal matters as provided in the Shariah Court (Criminal Jurisdiction) Act 1965 amendment 1984 provided that such jurisdiction shall be exercised in respect of any offence punishable with imprisonment for three years, six strokes of whipping and fine of RM5000 or any combination thereof (Ahmad Mohamed Ibrahim, 1997). Both of the Civil Court and Shariah Court have different criminal laws and criminal procedure laws. However, the civil law and shariah law offenders who are sentenced to imprisonment will be kept in the same prison as provided in Item, Ninth Schedule of the Federal Constitution. This will cause new problems due to all civil and shariah offenders will be kept in the same place in spite of the fact that punishments for shariah offender are more to Islamic religion offences. In this writing, we will see how far the efficiency of the punishment of imprisoning the shariah offender does and suggest the alternative punishments for them other than what has been already provided so they will be placed in rehabilitation centres and come back to the society as a better person instead of being placed in the prison.
**Purpose and objective**

The main purpose of the punishment imposed on the shariah offender is intended as retaliation for their mistakes. A person who has committed an offence shall be sentenced to a fair punishment as equal to the kind of offence that has been committed by them (Ahmad Ibrahim et. al, 1999). This is according to the Quran in verse 38 of surah al-Maidah.

Other than that, it is to deter the offender from doing the same offence in the future. However, the main purpose of punishment is to retaliate, repentance by not committing other offences and obey to the command of Allah and His Messenger. Do these purposes can be achieved if the whole Shariah offender in Malaysia will be imprisoned in the same place as the other heavy offences offender? Or is there any alternative provision for the present and future shariah offenders to recover by other alternative methods?

**Alternate punishments of the Shariah Court in Malaysia**

Shariah Court was established by Item 1, Ninth Schedule List II- State List of the Malaysian Federal Constitution (Farid Sufian Shuaib, 2008). The punishments relating to the offences which was specified in the Shariah Court Act (Criminal Jurisdiction) 1965 amendment 1984 providing the punishments of fine up to RM 5000, imprisonment of not more than three years and whipping of not exceeding six strokes. Practically, the trend used in the Shariah Court would make fine as the main punishment, it is rarely for imprisonment and whipping to be enforced, and if they were imposed, the offender will appeal so the court would replace them. Fine punishments do not give awareness and consciousness towards the shariah offender. The society are suggesting that the Shariah Court judge to pass imprisonment and whipping as punishments but the judges seems to be reluctant due to the provision stated in the Shariah Criminal Law that starts with fine punishments. As for example, section 14 of the Shariah Criminal Offences (Federal Territories) Act 1997:

Any male person, being baligh, who fails to perform the Friday prayers in a mosque within his kariah for three consecutive weeks without uzur sharie or without any reasonable cause shall be guilty of an offence and shall on conviction be liable to a fine not exceeding one thousand ringgit or to imprisonment for a term not exceeding six months or to both.

By looking at these issues, it is recommended for shariah offenders to be sentenced to alternative punishments (Jamal Jasri et.al, 2014). Alternative punishment by means of replacing the punishment, as an alternative to the existing punishment provided for certain offences. The alternative punishment will be passed when it is fair to decide that the replacing punishment can be an expedient solution for the said offender.

Imprisonment would surely give a negative impact and affects the life of the offender especially for youthful offenders/teenagers. Therefore, alternative punishment can be more suitable and effective. As there are no shariah prisons, there is a perception among the public that shariah offenders will be mixed with various categories of prisoners in jail. This will cause a negative impact towards shariah offender.

There are two sections in the Shariah Court that mention about optional punishments involving young offenders and first offender as provided by the law. While alternative punishment is given to the Shariah Court to commit the convicted person to an approved rehabilitation centre as stated in the provision below.

**Jurisdiction of the Shariah Court regarding rehabilitation order:**

i. Replace punishment or extend punishment;

ii. Power of the court to commit convicted person to an approved rehabilitation centre under section 55 of the Shariah Criminal Offences (Federal Territories) Act 197 (Act 559);
iii. Order to be of good behaviour section 128 Shariah Criminal Procedure (Federal Territories) Act 1997 (Act 559)(youthful offender);
iv. Order to be of good behaviour section 129 Act 560 (first offender).

In conclusion, alternative punishments are provided only to the youthful offender ageing 10-16 years old and first offender whereby the alternative punishment (bond of good behaviour) considered as more expedient.

**Implementation of alternative punishments for Shariah Offenders**

Most of the punishments of imprisonment sentenced by the Shariah Court are short in time. The existing period for rehabilitation program for prisoners in jail is not parallel to the imprisonment period sentenced by the Shariah court. For example, is the module of halaqah and community therapy. The period of Modul Pesalah Shariah rehabilitation program that is being developed also time consuming almost two years.

Under section 55, regarding power of the Court to commit convicted person to an approved rehabilitation centre is:

> Where the Court has convicted any person of an offence under Part II or under section 7, 8, 9 or 31, such Court may, in lieu of or in addition to any punishment specified for such offence, order any such person to be committed to an approved rehabilitation centre to undergo such counselling or rehabilitation for any period not exceeding six months as may be specified in the order; but where any sentence of imprisonment is imposed together with the counselling or rehabilitation the period thereof shall not in the aggregate exceed three years.

Meanwhile section 56 relating to the power of the Court to commit convicted female offender to an approved home.

> Where the Court has convicted any female person of an offence under Part IV, such Court may, in lieu of or in addition to any punishment specified for such offence, order any such person to be committed to an approved home for such period not exceeding six months as may be specified in such order; but where any sentence of imprisonment is imposed together with such committal the period thereof shall not in the aggregate exceed three years.

The provision is limited to moral offences only.

**Alternative module for Shariah crime**

What kind of readjustment modules used in purpose of implementing the alternative sentence these days? Precisely, it is fair enough for the shariah convicts to join relevant modules out of the prison if they have completed certain readjustment modules behind bars. Currently, the Prison Department of Malaysia is promoting special modules for the shariah convicts. There should be distinctions between the moral and faith convicts’ modules. Other factors taken into consideration include age, religion back ground, and education. (Siti Zubaidah, 2015).

**In-prison module**

This module would be managed by current Religion Section or the special unit aligned to it. The operational modus applied is by isolating the shariah and short-term convict. In addition to that, there is no need for the special block for the number of those shariah convicts is not as much as the civils. Meanwhile, the teachers are ones from Malaysia Islamic Development Department (MIDD) and the State Islamic Department (SID).
The suggested improvisation on shariah convict modules are such as those that follow.

1. Faith amendment so one will re-adhere Allah’s law.
2. Lack of religious education as a source of shariah crime.
3. Improvising the recovery program so it meets the demand of target area (shariah convicts).
4. Convicts recovery process should focus more on the faith and moral amendment input.
5. Duration of 7-30 days.

2. Sharing knowledge (5-10 hours)
   a. Man-Allah relationship and the aim of living.
   b. Getting to know the Messengers.
3. Theory and Practical on praying (10-20 hours)
   a. A religion pillar.
   b. The very first deed to be reviewed.
   c. Correcting the prayers.
4. Quran as friend (5-10 hours)
   a. Quran recitation.
   b. Lesson on the translation for certain verses. (i.e : al-Taubah)
5. Moral knowledge and interacting with the environment (5-10 hours)
6. The minimum module (7 days)
7. The middle module (14 days)
8. The maximum module (implementation of 30 days)

The suggested modules at Baitul Ehsan are as below;

“The modules are there, it’s just that they are not remarkable enough” (Ustaz Izhar Ismail- Authority)

- The moral convict
- The faith convict

  a) Women specialized
  b) Moral violation

The highest rated case would be the out of wedlock pregnancy and most are sent by the family (willingly).

Location: Sabak Bernam
Baitul Ehsan Fixed Orders 2001

<table>
<thead>
<tr>
<th>Year</th>
<th>Convicted</th>
<th>Taken in care order</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>17</td>
<td>11</td>
</tr>
<tr>
<td>2006</td>
<td>8</td>
<td>29</td>
</tr>
<tr>
<td>2007</td>
<td>5</td>
<td>56</td>
</tr>
<tr>
<td>2008</td>
<td>12</td>
<td>69</td>
</tr>
<tr>
<td>2009</td>
<td>29</td>
<td>88</td>
</tr>
<tr>
<td>2010</td>
<td>33</td>
<td>119</td>
</tr>
<tr>
<td>2011</td>
<td>28</td>
<td>69</td>
</tr>
<tr>
<td>2012</td>
<td>77</td>
<td>83</td>
</tr>
<tr>
<td>2013</td>
<td>55</td>
<td>78</td>
</tr>
<tr>
<td>2014</td>
<td>52</td>
<td>58</td>
</tr>
<tr>
<td>TOTAL</td>
<td>316</td>
<td>660</td>
</tr>
</tbody>
</table>

Total intake of Baitul Ehsan Women’s Shelter, Selangor Islamic Religious Council.
Conclusion

The alternative sentence may be an option to Shariah Court in getting those convicts back on track. A comprehensive research is indeed needed in regard to the implementation of alternative sentence for the shariah convicts. Also, it is a need to have numbers of readjustment modules in pair to the wrongdoing categories and parallel to the recovery period decided. The facilities, modules, capacities and the readiness are already prepared by Prime Minister Department. Other things needed are such new inputs and the improvisation of current modules. Once the shariah prison is instituted to Prime Minister Department, it becomes a mainstream and by means of that, it is in the federation. This is much benefited the religion itself for such good governance would skyrocketed uplift the image of Islam.
Proactive Intervention Techniques for Handling Emotional Intelligence during Teaching at Higher Education Levels

Sufiana Khatoon, National University of Modern languages (NUML), Pakistan

Abstract

The purpose of the present paper was to assess the role of teachers’ awareness about importance of emotional intelligence, causes of students’ emotional disorder and intervention techniques for handling emotional intelligence in classroom environment for effective teaching. Effective teaching is associated with positive emotions on behalf of the teacher because teaching itself is an emotional activity. Effective teaching occurs when the teacher has sensitive ability towards understanding and interpreting of inner feelings, emotions and desires of students from indirect signals and communication. Major intervention techniques are understand and interpret students, feelings and emotions, motivate students towards achieving their goals of learning through various motivational techniques despite failure of their efforts, enable students to regulate and use their feelings and emotions and direct them towards achieving their learning targets. The teacher should interpret emotions of students in such a way that if the teacher was in the student place then what he/she was feeling. Teaching learning process does not bring its fruits until and unless there is respectful relationship between the teacher and students and where the teacher understands and recognizes his/her students’ emotions and feelings.

Keywords: emotional intelligence, guidelines, strategies, teachers competence, students, higher education

What is emotional intelligence?

Emotional intelligence (EI=Emotional quotient EQ) is an ability to recognize, exercise, understand, and manage one’s own and other emotions in positive ways so as to get release stress, communicate well in order to overcome and resolve challenges. Emotional intelligence has an important role in our in different phases of our daily life. Emotional intelligence has more important role to play in our life than intelligence quotient.

According to Daniel Goleman (1998: 317) emotional intelligence is an ability to recognize one’s own and others’ feelings in order to motivate one’s self and be able to manage one’s emotions in order to maintain good relationships.

It was E.L. Thorndike’s concept of social intelligence in 1920 that laid down the foundations of emotional intelligence (EI). Later on in 1990 Peter Salovey and John Mayer introduced the term EI. However, Darwin is considered as the first author who talked about EI. Darwin explained EI as the most adaptable quality. Salovey and Mayer (1990) describe emotional intelligence as a set of four skills that involves the competence of a person to perceive, use, understand and manage one’s own and others’ feelings and emotions, so as to categorize them and to exercise this information to guide one’s own thinking and actions. It was Daniel Goleman, who really popularized the term emotional intelligence in his books. Goleman's (1998) concept of emotional intelligence comprises four main constructs of EI. Daniel Goleman (1996) describes five elements of emotional intelligence that are needed for us to be emotionally intelligent. They are:
Self-awareness (to be able to recognize and interpret our feelings)
- Motivation (to be able to keep ourselves motivated despite failures)
- Self-regulation (to be able to feel our own emotions successfully)
- Empathy (to be able to read and interpret emotions of others, feeling other emotion in such a way that if we were in their place what we were feeling then)
- Adeptness in relationships (to be able to feel others’ emotions in building relationship with them).

Effective teaching is associated with positive emotions on behalf of the teacher because teaching itself is an emotional activity. Hence effective teaching learning process involves emotional understanding. Therefore, it can be said that effective teaching occurs when the teacher has sensitive ability towards understanding and interpreting of inner feelings, emotions and desires of students from indirect signals and communication. As Hayes (2006) remarks that successful teaching requires not only command over subject knowledge and appropriate teaching methods, but in addition it requires affective skills.

In today’s classroom every teacher has to face problems of emotional disorder in the class and frequency of this emotional disorder behaviour has increased at university level where due to certain reasons some students are generally found in each class who are emotionally unstable. Concept of this emotionally unstable or emotional disorder may be different in various contexts.

Development of EI can help students to adopt the requirements of the environment of the institution. The devotion to develop students’ emotional intelligence can have positive impact of students’ performance at campus as well as in their future workplace life where they can prove themselves as emotionally stable workers.

Emotional intelligence (EI) plays an importance role during teaching learning process. Teacher and students are the two major characters in teaching learning process. Therefore, EI of the teacher and students both have an important role. However, the teacher being the senior person in teaching learning process has very important responsibility relating to students’ emotional intelligence. It means that the teacher should have ability to recognize and positively respond to is/her own and students’ feelings in classroom in order to perform the assigned responsibilities effectively and utilize students’ emotions for creating interest and motivation in his subject.

“Effective classroom environment helps students to understand and overcome their emotional problems rather than to repeat them” (Jones and et al. 2004).

Bar-On (2004) is of the opinion that emotional intelligence and its competencies can be developed, changed and improved during throughout an individual’s life through training and remedial programs as well as curative techniques. Being teachers, our major objective is to enhance the academic and social development of all students.

Carson (1996) observes that ‘the single quality (as reflected in her study from alumni responses) that was the most frequently associated with effective teachers was a special attitude toward and relationship with students. Kaufman (2001) observes that professionals can recognize and execute remedial learning environment in classroom to minimize behavioral problems of students.

Operational Definition: In the present study EI is described as the capacity and skill of an individual to recognize, interpret and manage one’s own emotions and others’ emotions in such a way to motivate one and others for achieving desired goals. In current study Goleman’s five competencies of emotional intelligence self-awareness, self- motivation, self-regulation, empathy, and adeptness in relationships were taken as theoretical framework of the study. In present research teacher effectiveness is taken as teacher’s characteristic and ability to understand, interpret and manage his/her own and students’ emotions during teaching learning process in such a way so as to lead the targeted objectives.
Research Problem

The aim of present article is to analyze role of teacher and students’ emotional intelligence (EI) during teaching learning process at higher education level. It further aims to suggest some guidelines for handling emotional intelligence during teaching learning process at higher education or effective teaching. To create relevancy of higher education with society Kuh, (1996) suggests that institutions of higher education must help students make meaning of the knowledge acquired through academic pursuits and integrate in class experience with the students’ extensive and more comprehensive socio-cultural experience.

Objectives of the study

The study was carried out to achieve the following objectives:

- To study the role of teachers’ awareness about importance of emotional intelligence during teaching learning process;
- To discover the causes of students’ emotional disorder at higher education level
- To analyze intervention techniques for handling and interpreting emotional intelligence in classroom environment for effective teaching.

Research Questions

In order to direct and achieve the objectives of current study following research questions were posed and it was decided to find out answer to these questions from review of related available literature:

What is the role of teacher’s awareness about the importance emotional intelligence during teaching learning process?

What are the generally considered the major causes of students’ emotional disorders?
What are effective intervention techniques or handling and interpreting emotional intelligence in classroom environment for effective teaching?

Procedure of the Study

The present study was a desk review and theoretical analysis of the literature available on the topic of the article. In addition to this researcher’s personal experiences regarding emotional intelligence at higher education level further provided a base for the current research. Based on her experiences researcher with claims that emotional problems exist in each and every classroom and without understanding emotional problems, the teacher cannot perform his/her function of teaching effectively. In order to make teaching effective, the teachers needs to consider and interpret emotions of him/her and of students during teaching learning process. In order to achieve the target objectives of the study, the researcher studied thoroughly the available literature in shape of books, reference material, and research articles, national and international documents to find out the answer to research questions of the current study. Therefore, for the present study this related literature was the population. In order to provide exact answer to research questions raised in the beginning, the researcher presented related literature by providing answer to each research questions of the study. The researcher selected researches that were related to the objectives of the present study.

Objective no. 1: To study the importance of teachers’ emotional intelligence during teaching learning process.

Research Question: What is the role of teacher’s and students’ emotional intelligence during teaching learning process?
Emotions are generally described as non-intellectual feelings that are beyond our control. They are described as composite conditions of mind and body. Actually, emotions are the reactions to situations that need to be managed and directed. In recent times we observe support for providing students safe and stable learning environment so as to make them feel safe and perform better academically. Teachers who are emotionally competent and stable, they set supportive tone of classroom by winning trust of their students, planning their lessons that according to students’ abilities, establishing and implementing behavioral guidelines for students in such a way that promotes intrinsic motivation among students for learning.

The result of effective teaching is effective learning. Therefore, effective teaching and effective learning are the two important factors of successful educational process. It is observed that teachers of higher education level, generally, give importance to only successful presentation of the content material in front of their students. They express their expertise in their specific subject area by using various pedagogy skills. However, Mortiboys (2005) criticizes that emotional intelligence of students which is the most important component of teaching learning process is not given due attention. An effective teacher is familiar with the role of EI and gives important to EI of students by creating a learning environment that promotes positive and active involvement of students in order to motivate them for learning.

La Paro & Pianta, (2003) remarks that the best quality of classroom environment that where there is low level conflicts and disruptive behavior. The teaching learning process is going on smoothly from one type of activity to another. The atmosphere is appropriate for expressions of emotions, respectful communication, the interest and focus in on learning task, and the teacher is supportive and responsive to individual differences and students’ individual needs.

In classroom environment these are teachers who frequently suspect and detect about students emotional disturbance. Teachers can notice students’ continuing problems of interpersonal relationships (www.nichcy.org).

Caruso & Salovey, (2004) observe that although there has been significant focus on the potential of emotional intelligence and its utility for managers but, there has been less focus on the role of emotional intelligence in other professions like teaching. It is surprising because emotions are innate to teaching because teaching is considered one of the most stressful occupations (Johnson et al., 2005).

Emotional disturbances can affect various aspects that are directly relating to students’ learning like lack of concentration and resilience, time management pressures and multiple tasks, interacting with others, reacting to feedback, reacting to change, and such students generally remain calm under stress. These conditions have side effects that can impact on students’ learning (www.nichcy.org).

Teachers are often faced with disobedient students and situations that can force them to lose their temper.

However Brooks (1996) remarks that it is teacher’s empathy and emotional ability can help teacher to work more effectively with angry and resistant students. The teachers should understand and recognize students; burden of work that may lead to misbehavior and should have ability adopt strategies that can make these students less angry and resistant.

The teachers should realize the fact that emotions affect understanding and comprehension of taught concepts. As Dalgleish (2004) comments that researches have shown that emotions can activate and inspire the brain for better recalling. Therefore, it is the duty of teachers to understand the emotions of the students and act accordingly and should create a positive learning environment and motivate students for better performance because how a person learns is as important as what he/she learns.
Guidelines for Teachers for Building Positive and Reliable Relationship with Students of Higher Education Level

Positive and reliable relationships with students is key to success for effective teaching and as well as for positive emotional development of students. Students need a comfortable, safe, caring, respectful and reliable learning environment which is not possible without building positive relationships with students. Such environment provides students opportunities to develop and practice their emotional competencies.

Some examples of positive and reliable behaviour of a teacher include:

- The teacher shows respect and gives value students’ cultural and language backgrounds;
- The teacher models the polite use of language and encourages students to imitate his/her own behaviour;
- The teacher encourages empathic thinking with questions such as, “Why do realize that he is having pain in his stomach”?
- The teacher promotes students’ confidence and development of new skills by engaging them in problem solving, for example by asking, “Can you think of a way to help you remember to wait for your turn?”; and attending to signs of personal trauma and providing additional support to students who are experiencing unusual stress in their lives. [www.tkcalifornia.org](http://www.tkcalifornia.org).

Mortiboys, (2005) observes that teachers with high EI competencies are found positive, resilient, collaborative, confident, trustworthy, open, sociable and passionate. Goleman’s (1995, 2005) research suggests that teachers become more effective when they are aware of the influence of emotional intelligence on learning and behaviour.

The teachers’ sensitivity towards students’ needs helps them feel safe and sound and confident. For example, asking questions to help students find a solution to a social conflict helps them develop problem-solving skills. Reading a story and engaging students in a conversation about a socially challenging situation can also serve as a lesson in handling social problems as well as in literacy [www.tkcalifornia.org](http://www.tkcalifornia.org).

Goleman (2001) speculates that every individual has some inborn with a general emotional intelligence that determines their talent for learning emotional competencies. These competencies are not inborn talents; rather these are learned abilities that must be developed to achieve exceptional performance of individuals. Effective teaching is not possible without giving consideration to one’s own emotions and of students’ emotions and feeling during teaching learning process. The same thought has been described by Haskett (2003) who found a significant association between specific EI competencies, and behaviors of effective teaching at higher education level.

Schneider, (1998) observes that generally in classroom teachers meet with students who engage in behaviors that are troublesome for teaching learning process…….Recently teachers have complained about more threatening behaviors, including annoyance, threats, physical or verbal attacks, and “hijacking” classrooms.

Objective no. 2: To discover the causes of students’ emotional disorder at higher education level

Research Questions

What are the generally considered the major causes emotional disorders of students? There cannot be any single cause of students’ emotional problems or emotional disturbances. However, it is not appreciable to just describe a behaviour as disrupt or emotional without conclusion and identifying emotional responses, and appreciate the effect of the behavior’s consequences. Therefore, it is
essential to consider variety of causes that could contribute to emotional or disruptive behavior in the classroom. This investigation can help teacher to select the most appropriate solution. Although the teacher cannot have control over these causes, however, understanding important causes can help him/her to plan the policy for guidance and counseling of emotional problems of students. Some important causes that literature describes are given below:

1. In class some students are found emotionally disturbed and they affect the teaching learning process through their various activities. Obviously we have to realize the factors that are linked with emotionally disturbed behavior of students in classroom. This realization helps teacher in devising intervention efforts for providing emotionally disturbed students comfort. There have been many paradigms that explain reasons of students’ emotional problems/disturbances. As the scientific and technology are advancing rapidly, therefore, researchers conclude that emotional disorders of students is a very complex area and any single domain or paradigm cannot explain its reasons. We cannot attribute emotional problems of students to merely biology, the environment, or the family background. There may be multiple causes of the emotional problems of students, especially at higher education level like biological, cognitive, environmental, familial, and hereditary and socio-cultural causes.

2. Coie, Miller-Johnson, & Bagwell (2000) have described the causes of risk factors of students’ emotional behavior into the following categories:
   (a) Constitutional factors (e.g., influences, prenatal/birth complications);
   (b) Family factors (e.g., poverty, abuse, conflict);
   (c) Emotional and interpersonal factors (e.g., low self-esteem, difficult temperament, peer rejection);
   (d) Intellectual and academic factors (e.g., below average intelligence, learning disability);
   (e) Ecological factors (e.g., neighborhood disorganization, racial injustice);
   (f) Non-normative stressful life events (e.g., early death of a parent, outbreak of war, other traumatic events).

3. It is observed that adult learners sometimes become use to some addicted medicines that cause for bringing change in their behavior and therefore, they alter their behavior in many ways. This is the point that teachers need to search out about whether the misbehaved or emotionally instable student is addicted to some drug, etc.

4. A student with a mild closed head brain injury may feel difficulty by focusing on studied concepts. Therefore, they are stressed. Some students may have life-threatening diseases like cancer, AIDS, diabetes, or constant pain, perhaps from injuries or arthritis. Such students can behave eccentricity and can sometimes loose temper. Some diseases can effect in sleep disorder which can lead a student to fall asleep in class.

5. Some students may have depression problems relating to their personal life, especially “love failure cases”. Such types of students blame society and its values for failure of their love. They become pessimistic and want to revenge upon their failure.

Objective no. 3: To analyze intervention techniques for handling and interpreting emotional intelligence in classroom environment for effective teaching.

Research Question: What are intervention techniques for handling and interpreting emotional intelligence in classroom environment for effective teaching? Whether can we measure teacher’s effectiveness through his behavior towards dealing with students’ emotional disorders? It means to explore how the teacher’s is self-awareness about his/her own behavior regarding students, his/her self-management about controlling his/her feelings and emotions in response to students’ behaviour, how much teacher has social awareness about understanding students’ emotional disorders and concerns, and how much teacher has understanding of maintaining good relationship with emotionally disorder students and inspiring these students towards learning.

Perry, & Ball (2007) claim that enhancing teacher’s EI may increase efficacy and consequently supports in improving students achievement. They further advocate a well-developed EI intervention
program for faculty members to enhance teacher effectiveness and, which consequently enables teachers to guide their students about how to manage stress and anxiety in order to achieve better academic results. Knowledge of emotional intelligence further assist individuals in their work performance by enabling them to regulate their emotions and to cope effectively with stress, perform well even under pressure, and adjust themselves to any type of organizational change. Understanding and interpreting emotions, further contribute to helping people to identify and interpret their emotional cues that inform us how to control and regulate ourselves.

6. Jhaa, and Singh (2012) found significant positive relationship of teachers emotional intelligence and their teaching efficacy. Therefore, the teacher effectiveness was found correlated with high EI score. Teacher’ emotional competence the most important variable in creating a emotionally safe learning environment in the classroom where students develop emotionally and academically. It is also very important factor how the teacher handles with his/her own emotions, particularly in situations of negative emotions. Finally we can conclude that an effective and successful teacher is one who can handle his or her negative feelings in a genuine, real and healthy way www.eqi.org.

7. Martin Henley and Nicholas Long (2003) teachers and caregivers suggest they should use the following strategies to help students overcome their emotional barriers to learning:
   - Making learning relevant to their life;
   - Helping students in establishing positive relationships with their fellows
   - Teaching students behavior management skills;
   - Guiding students about how to identify and deal with depression;
   - Supporting activities that foster feelings of competence, support social relationships, and strengthen self-efficacy;
   - Helping students in coping with stress; and

8. Mortiboys (2005) remarks that when learners recognize the teacher shows care and respect towards them, then they take the harshness of the teacher in a positive manner and try to go after the instruction given by the teacher.

9. Kaufman (2001) comments that professionals can recognize and can implement classroom conditions that make behavioral difficulties less likely to occur. Jones et al. (2004) accentuate that in order to build a positive classroom climate; the classroom must have an attractive curriculum, curriculum change for students facing academic difficulties.

10. Researchers identify effective interventions to promote a positive learning environment, free from violence and disruptive behavior. A recent and popular paradigm is called positive behavior support (PBS). PBS refers to the application of positive behavioral interventions and systems to achieve socially important behavior change (Sugai, Sprague, Horner, & Walker, 2002). PBS emphasizes protective and positive approaches for addressing emotional behavior problems instead of emphasizing traditional reluctant measures. Another intervention is called Comprehensive Classroom Management (CCM) introduced by Jones and Jones (2004) which emphasizes the importance of positive teacher-student and peer relationships in managing student behavior. “The specific function of teaching is to deliver and develop understanding among the students” (Malik and Zaman, (2012).

11. The components of this intervention are:
   - a) Development of general behavior standards in the classroom
   - b) Development of clear classroom procedures and rules
   - c) Systematic rules and procedures dealing with violations of classroom rules
   - d) The designing of individual behavior change plans for students with significant behavioral difficulties. This paradigm centers round instructional excellence, active student involvement in creating and learning classroom, developing problem-solving skills, and creating a community of caring and support.
The teacher should teach and train students that there is a link between emotions, thought, and action and emotions can be managed normalized and control emotions to certain degree. Teachers need to recognize the important of emotions in learning process and they should be make familiar with the fact that emotions affect learning process learning involves thinking and thinking process is influenced by emotional state of an individual. Therefore, teachers need to recognize the importance and role of their own and of students’ emotion during teaching learning process. Boekaerts, (1993) mentions that students learn and achieve more successfully when they feel that they are secure, happy, and excited about the subject matter being presented in the class.

**Intervention techniques for self-awareness:** Self-awareness is the ability to recognize one’s own feelings. The ability to understand one’s own emotions is bond to having greater self-confidence. Hamachek, (2000) concludes this understanding supports us to feel greater control over our inner life. The teacher should assist students in developing this self-confidence by training them how to recognize their thinking and feeling when they are going to make decisions. For this purpose the teacher may provide a model language self-reflection in the classroom to support students in perception, interpretation, management and expression of their emotions. These feeling and emotions may be of stress, anger, disturbance, and disappointment. Teachers can facilitate this discussion during class meetings or during one-on-one conversations with students, or as students work together in pairs and groups to get release from their emotions how to deal appropriately with their emotions. Teachers can arrange discussion during class or can arrange one-on-one conversations with students, or as students work together in pairs and groups. The teacher can give them reflective activity of journal writing for supporting them to recognize and classify complex feelings. These type of intervention can develop students’ emotions intelligence, which as a result will improve their learning achievement. As it has been observed that academic achievement as well emotional intelligence can be developed overtime. Finally, such interventions can help teachers to understand the nature of emotions of their students and then they can adopt strategies for handling these emotions.

**Intervention techniques for managing emotions:** A person who is emotionally intelligence (has ability to recognize, interpret, and his/her own and manage others’ emotions) can well manage emotions. Students will sometimes be irritated or worried when something in learning becomes difficult for them to understand. It is observed that generally teachers do not try to abolish this dissatisfaction in the classroom to manage students’ feelings. In such situation conflict is expected in the classroom. So teachers can minimize such conflicts by recognizing importance of students’ feelings about their learning difficulties and should help students in learning tasks to resolute their dissatisfaction calmly. Students can be trained in how to practice patience with themselves, with each other and to develop determination and skills to work through conflicts and dissatisfaction. According to Goleman, (1995) managing emotions comprise the ability to transmit disrupting desires and to “elude” negative tempers. Students can be trained in how to effectively manage their anger, and how effectively work cooperatively with others.

**Intervention techniques for managing self-motivation:** Goleman, (1995) mentions that self-motivation is an ability to produce feelings of passion, enthusiasm, confidence, and perseverance, especially at the moment of impediment. Motivation plays significant role in learning process and is a strong inner force in pursuing and achieving goals. Students who are positive motivate themselves for success. Yet if a student fails in achieving his/her learning goal, in such situation the students’ needs to calm himself and think through productive strategies for trying again to achieve success. Self-motivation is a tool for having a sense of mastery over one’s emotions. Students who are self-motivated have a strong drive to keep learning and a positive self-concept. Self-concept is an individual’s awareness and recognition about him/herself what he/she is (Malik and Malik, 2012). Teachers can influence students’ self-motivation in certain ways. Teacher can promote students self-motivation by assuring them that their goal is achievable and by making them to value their efforts the goal in attainment of their goals. Teachers can motivate students by developing attractive lessons that connect to students’ real lives and assist students in achieving success. Students become are more creative when they are self-motivated and teacher involve them learning.
Interventions techniques for empathy: Goleman, (1995) describes empathy as the ability to recognize emotions in others and to have sympathy when others react emotionally. For introducing productive environment in the classroom, the teacher should promote interaction in the class. This interaction can be promoted by being aware of our own feelings, as well as of students’ feelings. Therefore, empathy is the basic requirement for conflict resolution and for solving problems of students. For these purpose teachers can design activities for students for understanding different stand points of a problem and taking the responsibility for their own actions. For example, teachers can make students sympathize with the student who is experiencing difficult time. Teachers can foster empathy by making students to realize what kind of feelings they had when they experienced the same situation of dissatisfaction.

Interventions techniques for handling social relationships: Being aware of emotions of our self and of other and then managing these emotions, self-motivation, and having empathy feelings for others are all component of social skills and relationships. According to Morrison, (2008) as cited in Fernandez (2011), “Learning is cultivated by trusted relationships”. Asher & Rose, (1997) mention that positive social relationships associated with positive academic achievement. Teachers can facilitate positive interactions by encouraging a commitment to working as a group member and valuing each other’s efforts by being caring about others, and showing appreciation for work of team members (Preskill & Torres, 1999). Roeser, Eccles, & Sameroff, (2000) opine that researchers find that students’ emotional and academic performance improves when teachers support students’ competence with care and respectful manners. Teachers can foster positive relationships with by listening them carefully, and by positively responding to their needs and feelings. You can remind everyone of the rules. Most important support and desirable behavior that the teacher can depict is to console them in their hour of distress and disappointment and try to understand the nature of their grievances during teaching learning process.

Teachers need to create transformative learning environment (TLE) in the class. Bagheridoust, E., & Zarbaian, A. (2013) mention following features of a TLE as given by Nelson’s and Low (2005):

1. develops positive, healthy, productive and effective relationships between teacher and students;
2. Solves problems and provide opportunities for good choices/decisions;
3. Helps in producing healthy and successful outcomes;
4. Directs towards achieving self-goals;
5. Provides opportunities for planning for changes when needed;
6. Demands teachers and students to act wisely and responsibly.

The teacher can prepare and can place lists of offensive and non-offensive words that are prohibited in the class. These lists can be send to students’ parents. Train students for understanding, interpreting and expression of their emotions. Guide students in sharing feelings with others. Provide them feedback on their behaviour. Provide them scenario for display of strong emotion through role play. Determine if you or your students need for professional assistance. If some misbehavior of misconduct happens in the class, then try to draw conclusion for this happening and find out the reasons of students’ emotional disturbance. If emotionally disorder happens in the class, do not shout or run after it, rather be calm and cool like professionals. Reflect on happening and plan future strategy for dealing with such situation. Practice self-control over your feelings about destructive behavior by stopping and thinking before acting, take deep breathing and express self-using “I-statements”, “I feel angry when you will not share with me”.

First of all make a list of characteristics of each student in your classroom so that you could be able to categorize the nature of disturbed emotional students in your class and can suggest and act upon curable measures for eradication of emotional disorders/ problems in your students. We are aware of this fact that academic life is full of pressure of assignments and exams. Our students in higher education class often are engaged in jobs to meet their educational expenses and to support their
families. These types of students are often under pressure of job and of their study. In these situations we have to realize their difficulties and have to understand their emotions and feelings by providing them respectful and caring learning environment for them.

Being teachers of higher education level, it is our top priority responsibility to realize students’ difficulties associated with temperature of the classroom (too hot and too cold) as well as seats that we provide them. At the same time we have to consider their physical needs like thirst, hunger, diseases, etc. Sometimes we thoroughly ignore students’ physical needs and as well as classroom temperature and nature of seats on which students are sitting for a long time. In current era our generation has a tragedy of hearing loss due to excessive use of headphones and listening of loud music. It is a fact that our current generation is at danger of loss of hearing due to exposure to headphones and loud concerts. Large classrooms may be especially frustrating for these students, where they realize hearing problems. Our teachers generally give less important to vision and hearing of students during teaching which is responsible for creating miscommunication and resultantly it increases chances of mistrust between teacher and students.

Conclusion

Emotionally Stable Learning Environment for Teachers and for Students

- Teacher can create an environment that is full of respect. Respect for the teacher, respect for students and respect for classroom rules.
- Acknowledge students’ all sorts of diversity and have respect for each type of diversity of students. The teacher should never humiliate any culture, nation or religion. Make sure that your students do have regard for diverse cultures or nationalities present/ exist in the class.
- For emotionally disordered students individualized intervention program is the best solution. It is the first and the foremost duty of the teacher to try to understand the causes of emotional behaviour of the students in the class. For this purpose the teacher can try to win trust of students. If students believe that the teacher is sincere and he/she is well wisher of the students, then definitely, students would easily share their problems and difficulties with the teacher.
- Teachers may be trained in how to resolve students’ conflict and emotional problems through resolution through individual and group discussion. The training can empower teachers to deal effectively with basic management of behavioral issues.
- A genuine care and concern for the welfare of every student and his or her learning needs is required for building trust on the teacher and is responsible for producing effective teaching learning environment.

Discussion and conclusion

It is obvious that in order to produce effective teaching learning environment, it is essential to recognize students’ feelings and emotions and interpret these emotion and feeling in such a way to enhance their motivation for learning and achieving their goals. The major causes of students’ emotionally disorders at higher education level are biological, environmental, cognitive, familial (e.g., poverty, abuse, conflict), and hereditary and socio-cultural, constitutional factors (e.g., influences, prenatal/birth complications), emotional and interpersonal (e.g., low self-esteem, difficult temperament, peer rejection), intellectual and academic factors (e.g., below average intelligence, learning disability), (e.g., neighborhood disorganization, racial injustice), non-normative stressful life events (e.g., early death of a parent, outbreak of war, other traumatic events), brain injuries or some other physical diseases. It is necessary for effective teaching learning to comfort students from their emotional disorders. For this purpose teachers may adopt various intervention techniques like developing positive relationship between teacher-students.
By considering their emotions and feelings, providing emotionally safe learning environment where students develop emotionally and academically, by making learning relevant to their life and the most important thing is how the teacher handles with his/her own emotions, particularly in situations of negative emotions. The teacher can help students in establishing positive relationships with their fellows, teaching students behaviour management skills, guiding students about how to identify and deal with depression, supporting activities that foster feelings of competence, support social relationships, and strengthen self-efficacy, helping students in coping with stress; and instilling in them hope for the best. As it is a fact that when learners recognize that the teacher shows care and respect towards them they realize their worth and are motivated towards learning. The teacher can develop general behavior standards and rules in the classroom and can facilitate this discussion during class meetings or during one-on-one conversations with students, or as students work together in pairs and groups to get release from their emotions how to deal appropriately with their emotions. Teacher can promote students self-motivation by assuring them that their goal is achievable and by making them to value their efforts the goal in attainment of their goals.

The teacher should not get frustrated if some students are not participating in learning process or are not learning material quickly. Therefore, the teacher needs to be honest towards his/her mistakes. If teacher is unable to provide answer to question raise by students, it is better to apologize and honestly tell them that you do not know and will provide as soon as you will get. The teacher can ask them to research and find answer to the question.
Recommendations

1. Teachers of higher education level can be provide specific practical training in how to deal with students having emotional disorders.

2. The researcher had certain constraints. For example the present study was written during summer vacation and universities were off for teachers and students. Therefore, teachers and students were not available. Consequently, the study was based on analysis of related literature to find out answer to research questions. There is need to conduct empirical study by collecting data from teachers and students on the same topic and area.

3. The teacher can develop general behavior standards and rules in the classroom and can facilitate this discussion during class meetings or during one-on-one conversations with students, or as students work together in pairs and groups to get release from their emotions how to deal appropriately with their emotions. Teacher can promote students self- motivation by assuring them that their goal is achievable and by making them to value their efforts the goal in attainment of their goals.

4. Teachers can make students sympathize with the student who is experiencing difficult time. Teachers can foster empathy by making students to realize what kind of feelings they had when they experienced the same situation of dissatisfaction as “Learning is cultivated by trusted relationships”.

5. The teacher may give importance to recognize all variety of diversity (like race, religion or gender) and disabilities (e.g., physical or learning) in your classroom as well as different learning strategies. The teacher can develop guidelines/ rules for students regarding their emotional behaviour.

References


Bar-On (2004) stated, “Emotional intelligence and emotional skills develop over time, change throughout life, and can be improved through training and remedial programs as well as therapeutic techniques” (p. 15).

Bousted Mary Dr (n.d). An Intelligent Look at Emotional Intelligence. A publication commissioned by the Association of Teachers and Lecturers from Guy Claxton, Professor of the Learning Sciences, University of Bristol


Christensen Bill and et. al. (2005). Teaching Students with Severe Emotional and Behavioral Disorders: Best Practices Guide to Intervention. A joint venture with the Clover Park School


Websites visited:

http://repository.upenn.edu/dissertations/AAI3310476


Insights into Turkish Students’ Self-Conceptualization in Different Social Communities via Kinetic Drawings

Iryna Sekret, Zirve University, Turkey

Abstract

As it is known one's self-concept can be defined as a collection of one’s beliefs about oneself that includes in a most general sense his/her way and quality of life, gender, social and cultural identity. Self-concept is made up of one's self-schemas, and interacts with self-esteem, self-knowledge, and the social self to form the self as whole.

In this respect awareness of one’s self-concept is of significant importance for gaining his/her self-efficacy in different social contexts, managing interactions in communities, and bringing all the social roles the person has to fulfill under the umbrella of his/her self.

The aim of the current study is to get insights into the students’ self-conceptualization in such social environments as “Family”, “Friends”, “School” via kinetic drawings. The target group of the research comprises students of different age groups in Turkey.

The application of the projective technique that implied analysis of the students’ drawings allowed eliciting data on roles and statuses the students perform when being in family, among friends, and at school.

The data obtained from the analysis of the drawings were supported by individual interviews and observations over the students’ behavior in the formal / informal learning setting and interactions.

The results of the research can be applied for further studies in the area of educational psychology, referring to the correlation of the learners’ academic performance with their self-conceptualization of themselves’ well-being in different social communities.
The Chitty Malay Language

Nurul Huda Binti Hamzah, University of Newcastle, United Kingdom

Abstract

This research is a unique effort and experience of investigating aspects of language use among a community of Chitty, in the context of Gajah Berang Village in Melaka Bandar Bersejarah (Malacca the Historical Town). This community exists circa 15 Century after the arrival of the Hindu merchants from the Coromandel Coast in Southern India (Asmah Haji Omar (2004), in particular the Tamils and gave rise to the Chitty community through inter-marriage between the group and the local Malay women, Chinese, Javanese, and Bataks, creating a unique new culture. Since then, the Chitty community inclines to adopt Malay culture, and went through assimilation and amalgamation experienced by these peoples over the years had cause them no longer maintain their culture. Shift not only occurred on the cultural aspects, but the language aspect also exhibits the same condition. This study is to explore the current ecology of Chitty Malay Language (CML) among this minority community in Malaysia. It also explores the functions of Chitty and attempts to describe the current state of language through the formal and informal analysis, for instances, the speech in use, at levels of both grammar and discourse. This is largely an ethnographic study; a survey and unstructured interviews will be conducted through qualitative methods between the researcher and the Chitty informants.

Findings and propositions will be presented based on patterns of behaviour observed formally and informally during the stay in Gajah Berang Village, Melaka during the period of 2013 and 2014. This research aims to highlight the questions posed in recent research, related to language maintenance and adaptation; to explore relevant theoretical and methodological underpinnings; and to discuss the research rationale.
Why Do People Give Wasta? An Exploratory Investigation into Informal Influence in the Arabian Gulf

Alexandre A. Bachkirov, Sultan Qaboos University, Sultanate of Oman
Lutfiya Sulaima n Al Harrasi, Sultan Qaboos University, Sultanate of Oman
Ghadeer Sulaiman Al Maawali, Sultan Qaboos University, Sultanate of Oman
Safiya Ahmed Said Al Hadhrami, Sultan Qaboos University, Sultanate of Oman
Buthaina Salim Al Salmi, Sultan Qaboos University, Sultanate of Oman

Abstract

Wasta (Arabic term for pull or connection) refers to the process of using personalistic links based on close friendships, kinship ties, and family relationships in order to secure favors, privileges or resources, often from a third party. In the Arab world, wasta is enacted through social, business, or political networks and involves sharing information, exercising influence, and applying power. While a body of work exists on cross-cultural comparisons of the related concepts – guanxi, jeitinho, svyazi, and “pulling strings” – scant research efforts have been devoted to empirical exploration of wasta as a distinctive process of informal influence. The purpose of this qualitative study was to explore the reasons underpinning the decision “to give wasta”. Such an understanding is important for an accurate evaluation of the function that this process plays in the society. Qualitative data were obtained from eight participants through in-depths interviews. Study participants were professionals from different organizations, industries, and sectors in Oman’s Muscat metropolitan area. All study participants had first-hand experience of wasta. The semi-structured format of the interviews facilitated consistency and flexibility in the data collection. The interviews were digitally recorded, transcribed verbatim and closely examined for salient themes. The analysis of the interview data revealed four reasons behind the decisions to give wasta: a perception of wasta as a socio-cultural expectation and obligation, a view of wasta as a source of psychological gratification from exercising one’s power, the use of wasta as a strategic tool in expanding one’s network of influence, and the application of wasta as a relationship maintenance device. The study discusses managerial implications of the proposed conceptualization of the reasons for giving wasta.

Keywords: wasta, connections, pulling strings
Application of Concordances in ELT Classroom: Implications & Concerns

Mahshad Tasnimi, North Tehran Branch, Islamic Azad University, Iran
Khaleel Bataineh, Irbid National University, Jordan

Abstract

As an established fact, corpus-based studies are of paramount value to shed some light on the qualitative and quantitative linguistic analysis whose extension is getting prevalent in the realm of language learning and teaching especially by making grammar subservient to lexis. Concordance as a vibrant technique for corpus-based studies elucidates some of the previously-ignored features of language learning which have colossal implications for language teaching. This study accentuates on this technique and delves extensively into myriad of applications of ELT situation and its associated prerequisites and conditions. It is done via providing tangible procedure-based strategies and analyzing pitfalls attributed to concordance applications through which the language learning is thought to be facilitated and teachers paves the way for achieving the intended objectives.

Keywords: Concordance, Corpus Linguistics, Corpus Analysis, Data Driven Learning

Application of concordances in ELT classroom: implications and concerns

Nowadays, the computer analysis of corpora is considered as a valuable tool in language teaching. Willis (1998) asserts that “the study of language is often corpus based” (p. 44) and that corpora provides a picture of language helping us describe the grammar and lexis of the language.

“Corpus is a body of written text or transcribed speech which can serve as a basis for linguistic analysis and description” (Kennedy, 1998, p. 1). Hyland (2006) defines a corpus as “a collection of naturally occurring texts used for linguistic study” (p. 58). He adds that corpus does not present new theories about language, but it can provide fresh insights on features of language use. He asserts that corpus is “more reliable guide to what language is like than human intuition” (p. 58). Corpus actually provides an evidence-based approach to language teaching and learning.

In the past the term corpus was associated with a body of work of for example an author. However, since the advent of computers large amount of texts can be stored and analyzed using special user-friendly software (O’Keeffe, McCarty, and Carter, 2007). Biber, Conrad and Reppen (1998, as cited in O’Keeffe, McCarty, and Carter, 2007, p.1) point out that corpus is “a principled collection of texts available for qualitative and quantitative analysis”.

Corpora have been used for different purposes. Some are intended for linguistic research and descriptive purposes. Other corpora have been designed for more specialized purposes such as preparing a dictionary or discovering which words or meanings are most frequently used by a special group of people (e.g., workers in the oil industry). Furthermore, a corpus can be analyzed and compared with other corpora to study variation to show how often and where particular phonology, lexical, grammatical, discoursal or pragmatic features occur (Kenedy, 1998).

Fox (1998) adds that corpora allow researchers to analyze not only how language is being used at the present time but how it was used at particular times in the past.
The first generation of computer-readable corpora was set up in 1960s. This corpus consists of around one million words of written American English. It was named The Brown Corpus because it was prepared at Brown University in the USA by W. Nelson Francis. Such corpus now seems very small and can easily be handled by PCs (Fox, 1998; Stubbs, 1996). Nowadays, one of the best known corpora is the Bank of English with almost 450 million words (2002) which provided the basis for the Collins COBUILD English Dictionary. (Jiezhi & Jianhua, 2009; Ooi, 2001; Willis, 1998).

**Corpus linguistics**

Over the last three decades the compilation and analysis of corpora stored as computerized data has led to a new discipline known as corpus linguistics (Kenedy, 1998).

Corpus linguistics refers to “the study of language on the basis of textual or acoustic (speech) corpora which almost always involves the computer in some phase of storage, processing and analysis of this data” (Ooi, 2001). Kenedy (1998) introduces corpus linguistics as follows.

Corpus linguistics, like all linguistics, is concerned primarily with the description and explanation of the nature, structure and use of language and languages and with particular matters such as language acquisition, variation and change. Corpus linguistics has nevertheless developed something of a life of its own within linguistics, with a tendency sometimes to focus on lexis and lexical grammar rather than pure syntax”. (p. 8)

Kennedy adds that corpus linguistics is not a new branch of linguistics. It is actually descriptive linguistics aided by new technology.

**Corpus analysis in ELT**

One of the most innovative outcomes of the corpus revolution has been the use of corpus-based description in language teaching and learning. From the 1920s, there was a tradition of word counting in texts to discover the most frequent and the most pedagogically useful words and grammatical structures for language teaching purposes (Kennedy, 1998). According to Hyland (2006), frequency is central to corpus studies describing “the commonest used of the commonest words” (p. 59). The assumption is that if something happens often enough in the past, it is likely to occur in the future too. Therefore, predicting and categorizing the domain under study will be feasible.

To analyze a corpus, researchers have developed systems and software for the automatic analysis of texts in terms of grammar and meaning. The most basic format used in displaying information about the linguistic elements in a corpus is listing and counting. The lists produced by software are of different kinds ranging from simple wordlists, to more sophisticated analysis (Kennedy, 1998).

Kennedy (1998) states that corpus-based studies have repeatedly shown that the normal use of language includes “considerable use of recurrent prefabricated constructions” (p. 270). Due to these studies, the boundary between lexis and grammar has become much less clear. As a result, the focus of language teaching has shifted away from principled ways of learning vocabulary and grammar to learning how to do things with words. This has led to a “pedagogical emphasis on messages and the messengers rather than the linguistic system which carries them” (p. 281). Furthermore, the central role of the language teacher has shifted from being a source of knowledge to an organizer of tasks.

Howatt and Widdowson (2004) add that corpus findings have found their ways to teaching materials shifting the focus of pedagogical attention from grammatical to lexical features. They maintain that findings of corpus analysis demonstrated the “primacy of lexis as a determining factor in the patterning of usage” (p. 359) and that grammatical regularities are dependent on the lexis they are associated with. They conclude that these findings which suggest “grammar is subservient to lexis” (p. 359) have brought new insights into the nature of language in use.
Concordancers

Fox (1998) asserts that corpus analysis has shown that there are many common features that native speakers use, but non-native speakers do not typically pay attention to. Therefore, teachers should teach students many strategies for coping. Some of these strategies could be developed through the use of concordancers.

Concordancer is an important tool (software) in corpus linguistics which can find every occurrence of a particular word or phrase. This idea is not new and many researchers over the years have manually concordanced the Christian Bible, for example, finding and recording every example of certain words. With a computer, we can now search millions of words in seconds. The search word or phrase is often referred to as the key word or node and concordance lines are usually presented with the key word/phrase in the centre of the line with seven or eight words presented at either side. These are known as Key-Word-In-Context displays (or KWIC concordances) (O’Keeffe, McCarty, and Carter, 2007). Concordance lines are usually scanned vertically (see Figure 1). Beatty (2003) defines a concordancer as

A tool that looks at individual words (nodes) or groups of words and lists them with their immediate contexts; usually the seven or eight words that come before and after but in some cases the entire sentence for each word. The term for describing this approach is key word in context (KWIC). (p. 60)

Figure 1: Concordance lines for way (O’Keeffe, McCarty, and Carter, 2007, p. 9)

Concordancing or processing natural language by computers is still in its early stages. It comes under the umbrella term of artificial intelligence (Ahmad, Corbett, Rogers, & Sussex, 1985). Concordancing dates back to middle Ages and the first known complete concordance was that of the Latin Bible comprising the words in Bible and the location of texts where they can be found (Lamy & Mortensen, 2012).

According to Davies (2015), concordancers are used extensively for creating glossaries and dictionaries. They are also considered as valuable tools for language teachers. Willis (2004) asserts that by language concordancing “we can make discoveries about grammar that we had never noticed before” (p. 104). For instance, he exemplifies that it was a revolution for him knowing that the word ‘would’ to express past habit is more common in spoken language than ‘used to’.

Implications and applications of corpus analysis in ELT

For applied linguists concerned with language teaching, not only a corpus can be used as a source of authentic text to which learners might be exposed, but also “the corpus can be analyzed to discover the relative weight which might be given to lexical or grammatical items and processes in curricula and teaching materials” (Kennedy, 1998, p. 269).

The information on the distribution of the elements and processes of a language can influence the content of language teaching by affecting “selection of what to teach, the sequencing of pedagogy,
and the weight given to items or parts of the language being taught, thus contributing directly to the content of instruction” (p. 281).

Corpus analysis and concordancing have application to the language classroom and are now being used in ELT materials because they can provide many examples of patterns of use (O’Keeffe, McCarty, and Carter, 2007). Johns (1986, as cited in Kenning & Kenning, 1990) identifies three potential sets of users for concordancing programs: the linguistic researcher, the language teacher, and the language learner. Beatty (2003) adds that a teacher can collect a set of student assignments and analyze examples of learners’ language looking for typical error patterns. The errors can then be used as a basis for the development of learning materials. In addition, a teacher may look through established corpora by native speakers to find and present some patterns to learners as examples or adapt them into exercises. On the other hand, learners can be trained how to use concordancers. By doing so, learners become their own researchers finding examples and developing their own rules for language learning. This approach is called Data Driven Learning (DDL) by Tim John.

Data Driven Learning (DDL) is an inductive approach to learning in which learners acquire an understanding of language patterns and rules by becoming more involved researching corpora, usually through the use of a computer-based concordancing program. Instead of studying patterns and rules, learners naturally internalize them. This approach can stimulate learners’ interest in language and give them a sense of empowerment and responsibility for their own language education. (Beatty, 2003, p. 61)

O’Keeffe, McCarty, and Carter (2007) add that this approach leads to forming generalizations. They cite Johns (2002) who saw DDL “as a process which ‘confront(s) the learner as directly as possible with the data’, ‘to make the learner a linguistic researcher’ where ‘every student is Sherlock Holmes’” (p. 24)

Jiezhi and Jianhua (2009) maintain that in a classroom, a corpus and a concordancer can be used mainly

- to discover and determine meanings of words and phrases;
- to identify useful phrases and unfamiliar collocations;
- to analyze usage and determine the context;
- to discriminate words with similar meanings;
- to examine word order;
- to encourage questions and generate discussion. (p. 3)

Lamy and Mortensen (2012) recommend teachers to make use of the following exercises

- Students can work out rules of grammar or usage and lexical features for themselves by searching for key words in context. Depending on their level, they can be invited to question some of the rules, based on their observation of patterns in authentic language.
- Students can be more active in their vocabulary learning: depending on their level, they can be invited to discover new meanings, to observe habitual collocations, to relate words to syntax, or to be critical of dictionary entries.
- Students can be invited to reflect on language use in general, based on their own explorations of a corpus of data, thus turning themselves into budding researchers. (p. 6)

Classroom applications of concordancers are numerous. In what follows ten practical examples taken from Lamy and Mortensen (2012) are presented. However, before applying them, students have to first get familiar with inductive reasoning.

Activity 1: Make students familiar with the physical appearance of a KWIC. This activity is useful for complete beginners. One can try similar exercises with words that have dual meanings or different meanings.

Activity 2: Raise students’ awareness of stylistic differences between different positions of a word (e.g., therefore). By doing so, they’ll get to know where they should put the word.
Activity 3: Get the students to derive a rule (by induction). For instance, the determiner ‘many’ can only be followed by plural nouns or ‘news’ is only followed by singular verb.

Activity 4: Sensitize students to the differences between two languages’ false-friends – in this case English and Farsi – such as (sand = شن). Here, focus their attention on countable and uncountable nouns.

Activity 5: Make the learners aware of the similarity between two languages; for instance, the use of ‘that clause’ in English and Farsi.

Activity 6: Raise students’ cultural awareness and help them reflect on the habits of that culture; for example, drinking tea or coffee.

Activity 7: Sensitise students to changes in language use, such as analysis – analyses / parenthesis – parentheses.

Activity 8: Teach the use of prepositions.

Activity 9: Teach the syntax of adverbs.

Activity 10: Make students’ own writings as the corpus to make them aware of their errors or the lack of variety in their writings.

Fox (1998) also provides some activities for using concordancers in the classroom. Since concordance lines do not show whole sentences; Fox believes that, learners may first get confused. Therefore, teachers should spend some time getting them used to looking at concordancers.

To deal with pragmatic aspect of language, advanced students could be given some concordance lines and asked in groups to work out the ways in which a particular pragmatic word (e.g., actually) is being used. Of course, there are probably no right answers, but Fox asserts that, this activity leads to interesting discussions.

Yet, another activity is building exercises around a single set or sets of concordance lines and asking students to analyse a key word (e.g., pat) by answering a set of questions (see Figure 2).
Figure 2. Concordance lines for ‘pat’ with some exercises for analyzing the word (Fox, 1998, p.38)

To do this exercise, it is important to make it clear to students that first they should skim the lines quickly to get a feel for the word and then go back and look more carefully at how the key word is used.

Since phrasal verbs are considered as a problem for all learners of English, as an activity, students can be given a number of phrasal verbs with a particular preposition, say ‘down’ and be asked to pick out the ones which have a common semantic thread.

As homework, Fox suggests that students can be asked to collect all the examples of a high frequent word (e.g., give). He recommends this activity for all levels of students.

In what follows merits and concerns of using concordancers in ELT classrooms are explained.

Merits:

- Introducing corpora and concordancing programs in ELT make the old, spoon-feeding and rote learning pattern replaced by a new one that promotes discovery learning. In doing so, students will change from passive recipients to active ones and the teacher would act as a research facilitator rather than a transmitter of knowledge (Jiezhi and Jianhua, 2009).
- Learners find concordancing activities fun and amusing (Lamy and Mortenson, 2012).
Using computers as a powerful hypothesis-testing device helps “learners remember the knowledge which they have formulated themselves rather formulations which have been imposed on them” (Lamy and Mortenson, 2012, p. 16). Therefore, each learner is a researcher.

Learners are provided with “relevant, authentic, and interesting examples as opposed to made-up traditional ‘grammar examples’” (Lamy and Mortenson, 2012, p. 11).

Data Driven Learning can facilitate the development of learner autonomy (O’Keeffe, McCarty, and Carter, 2007).

Using concordancers help learner become more aware of language and pay more attention to forms rather than simply use them. This noticing help learners reflect on further occurrences of language items that have been made salient through concordancing. There is likelihood that this awareness will increase proficiency (Fox, 1998; Lamy and Mortenson, 2012).

Analysis activities based on concordance lines can be used as consciousness-raising activities (see Ellis, 2003), providing learners with opportunities to discover language before expecting them to produce it. Furthermore, they help learners note the gap between their use of a word and the way(s) native speakers use it (Fox, 98; Willis, 1998).

Analyzing data through concordancing help learners develop their analytical skills (Fox, 1998).

Not only learners but also teachers are likely to gain from concordancers enriching their own view of language (Willis, 1998).

Working directly from the data is ideal for mixed level classes because it allows learners to work at their own level and in their own ways. (Willis, 1998)

**Concerns**

- Majority of students are not familiar with concordancers (Lamy and Mortenson, 2012).
- Introducing corpora into the classroom changes the method of teaching, making the process unpredictable. Therefore, teachers must be ready to deal with any problem that may pop up (Jiezhi and Jianhua, 2009).
- A corpus may be too large to manage. In order to avoid being drowned in the data, teachers should take into account the size of the corpus (Jiezhi and Jianhua, 2009).

**Conclusion**

Few language learners have enough time and resources to read natural texts. For instance, in many foreign language learning environments, most English language teachers and students encounter the shortage of authentic English language texts. Data Driven Learning may shorten the learning process by providing a rich source of context. Concordance is one of the most well-known techniques applied in this area. Concordance has plethora of advantages such as enhancing inductive learning, fostering natural internalization of language patterns, and encouraging learners’ motivations. However, the use of concordancers in the classroom is in its infancy. Therefore as Kennedy (1998) asserts excessive claims should not be made about concordancing. There is no guarantee that working with data which has not been pre-analyzed by grammarians is definitely a virtue for a language learner. All in all, it can be seen as an interesting supplementary teaching technique to be beneficiary for learners and learners, both.
References


Tunisian Business Cycle Synchronization with the World Economy: The Dynamic Latent Factor Model

Houyem Sabta, University of Toulon, France

Abstract

The dynamic latent factor model is becoming increasingly important in the literature due to its ability to identify the degree of business cycle synchronization of a set of countries and therefore know whether these countries can form a zone monetary union or not.

The present paper examines the question: “Tunisian economic cycle can it form a common cycle with those of its trading partners (France, Italy, and Germany) and the US?” For this, the paper will adopt the method of Bry and Boschan quarterly developed by Harding and Pagan (2002), using the program written by Robert Inklaar (2003) on MATLAB for dating turning points of reference cycles of the five countries. The results indicated a synchronization of turning points and US's cycle leads the cycle of the remainder of countries by one to two quarter. This result is confirmed by adopting the dynamic latent factor model of Stock-Watson, showing a positive and significant sensitivity of five references cycles to common factor and so to international shock. This implies that the elaboration of monetary and fiscal policies must take into account the common characteristics of the world economy rather than focus only on characteristics of the domestic economy of Tunisia.

Introduction

The issue of business cycle synchronization is becoming more and more important between policy makers and economists in the world. The importance of this issue arises from the orientation of several countries and regions towards development of a currency area (eurozone, Cooperation Council for the Arab States of the Gulf etc.). This resulting of the economic crisis that makes countries requires a regional framework to confront the current economic crisis. According to the theory of optimum currency area, a high degree of business cycle synchronization between Member States is crucial for the smooth functioning of the currency area.

For Chen, Mills, and Flasquier (2009) highly synchronized national business cycles will facilitate the implementation of monetary policy for the Monetary Union area, because they can clearly define the position and sequence of the common policy. Conversely, the desynchronization complicates the operation of the union, as countries are at different stages of the business cycle are confronted with different monetary and fiscal requirements.

Several studies have been made in the analysis of business cycle synchronization particularly in G7 countries and between the developed and developing countries (David Backus, Kehoe, and Kydland (1993); D.K Backus and Kehoe (1992); Kouparitsas (2001); M. Ayhan Kose, Otrok and Whiteman (2003); and Crucini, Kose and Otrok (2011) etc.).

Kouparitsas (2001) studied the transmission of fluctuations between the north and south countries. The study found that there is as much coherence between the North and South as there is between regions of the North, which implies that the international business cycle does indeed extend to the South.

Ambler, Cardia, and Zimmermann (2002) constructed a multi-country model of economic cycle with multiple sectors to analyze the role of sectoral shocks in the international transmission of business cycle. They find that a model with multiple sectors generates a higher cross country correlation of output than standard one-sector models, and a lower crosscountry correlation of consumption.
M. Ayhan Kose, Otrok and Prasad (2008) used the dynamic factor model ranking factors affecting national business cycles into three categories: the global common factor, specific factors to a group of countries (common factor in three group countries: industrialized, emerging and developing) and specific factor to one country for a period from 1960 to 2005. The authors found that the relative influence of the global common factor in economic fluctuations decreased in industrialized countries and in emerging countries. In addition, they have led to a convergence of cycles among industrial countries and among emerging countries, but also at the same time, divergence, or decoupling of business cycles between these two groups of countries. They conclude that "the cycles are synchronous at specific groups of countries rather than at the world level."

Under the influence of this debate in the literature and the fact that the Tunisian economic cycle has rarely been the subject of economic analyzes (Fathy (2007a), Fathi (2009); and Baccouche Bouazizet and Goaiéd (1997)), this article is based. It seeks to answer the following question: Tunisian business cycle can it form a common cycle with those of its trading partners (France, Germany, and Italy) and the U.S.A?

The contribution of this work from previous work on the Tunisian economic cycle lies at the methodological level and at the analytical level. Methodologically, the dynamic latent factor model was never adopted for estimating the synchronization of the Tunisian business cycle with the world economy. Furthermore, previous work was limited to estimate the synchronization of the Tunisian cycle with its major trading partners. In this work we introduce in the sample of countries the U.S.A due to its effects on the world economy. Analytically, we wanted to confirm econometrically the stylized facts from the dating of turning points by Bry Boshan quarterly method (BBQ). We concluded the synchronous Tunisian business cycle with international fluctuations. This implies that the development of monetary and fiscal policies must take into account the common characteristics of the world economy rather than focus only on characteristics of the domestic economy of Tunisia.

The present paper will start in a first section by the presentation and the detection of the main characteristics (structural characteristics and dating of turning points by the BBQ method Harding and Pagan (2002)) of Tunisian business cycle during the decade 2000 and the economic consequences after a year of revolution. This, in comparison with the cycles of major trading partners (France, Italy, Germany) and the U.S.A. In the second section, the work will estimate the degree of synchronization between the reference cycles of the different countries of the sample by adopting the dynamic latent factor model.

The cyclical profile of the economies

This first section gives the structural characteristics of industries and commerce of Tunisia and the developed countries in the sample (France, Italy, Germany, and the US). Then, it detect and measure the business cycles of the sample countries.

Data Analysis

The analysis is based on quarterly data over the period 2000Q1-2010T4. The choice of this period is related to two reasons: (i) the importance of quarterly data in studies of business cycles, especially the measurement of the duration, the amplitude of cycles is mainly by quarter (see the NBER works and Harding and Pagan (2002, 2006), (ii) and the fact that in the case of the Tunisian economy quarterly data are only available from 2000.

As for the choice of the sample countries, it is based on the share of exports and imports. Table 1 shows the share of exports and imports by country showing the strong contribution of France, Italy, and Germany. In addition to these three countries, we have taken into consideration the US due to its impact in the world economy. Now these countries are mentioned by developed countries in the sample, denoted (DCS).
Data analysis begins with GDP decomposition by sector and category of final demands of Tunisia. Then she goes to the sectoral decomposition of trade, i.e., exports and imports. This is achieved by trying to put these decompositions in comparison with those of (DCS). Structural analysis of the data allows us to clearly identify the internal factors of the Tunisian economy, and putting in comparison with those of DCS we could explain the synchronization (or desynchronization) by a similarity (or difference) at levels economic structures. Marianne Baxter and Kouparitsas (2003) consider that the sectoral decomposition of production, imports and exports is a necessary guide to analyze the international transmission of business cycles.

**Table 1:** Share of exports and imports

<table>
<thead>
<tr>
<th></th>
<th>France</th>
<th>Italy</th>
<th>Germany</th>
<th>EUROPE</th>
<th>U.S.A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990/1999</td>
<td>26%</td>
<td>20%</td>
<td>15.6%</td>
<td>81.8%</td>
<td>0.8%</td>
</tr>
<tr>
<td>2000/2010</td>
<td>30.4%</td>
<td>22.4%</td>
<td>9.4%</td>
<td>81%</td>
<td>1.15%</td>
</tr>
</tbody>
</table>

**Table II:** Decomposition of the Tunisian real GDP by sector. The statistics in this table shows, on average, for the period [2000 T1; 2010 Q4], the high share of the service sector compared to other sectors 61% of the sum of value added. In particular, commercial, hotel and restaurant services, and transport reach a level equal to 23% of GDP. The service sector weight in Tunisia between 1980 and 1990 is also emphasized by Kose and Riezman (2001) with a level of 57%. The second sector contributors to GDP Tunisian manufacturing which contributes about 18%. This sector covers mainly the food industry and textile products.
Table II: Sectoral decomposition of GDP

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>mean</td>
<td>10</td>
<td>18</td>
<td>11</td>
<td>3.8</td>
<td>23</td>
<td>18.2</td>
<td>16</td>
</tr>
<tr>
<td>median</td>
<td>9</td>
<td>17.3</td>
<td>11.7</td>
<td>3.9</td>
<td>23</td>
<td>18</td>
<td>16.6</td>
</tr>
</tbody>
</table>

The percentages represent the share of value added in each of the following sectors: AGR. = agricultural sector; Man. = manufacturing; N.Man = non-manufacturing sector; Pub. Ser. = government activities; Financ. Serv = Financial Services; Comm. = Trade + service hotel and restaurant + transport; services sector = (Ser. Serv. Financ. Pub + Comm.+ + Other services). The data are from the National Statistics Institute of Tunis.

On the main trading partners of Tunisia (France, Italy, and Germany), the results of Table III also show significant participation of the services account for almost to 59% of GDP on average. Unlike the services sector in Tunisia, financial activities represent the largest weight, while the commercial, hospitality and catering, and transport exhibit the lowest part. Another difference is evident in the industrial structure between Tunisia and the partner countries. The agricultural sector's contribution to GDP of the partner countries will not even 2% on average, while in Tunisia, it participated in GDP with a level five times higher (10%).

Table III: Industrial structure of trading partners

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>mean</td>
<td>2.1</td>
<td>13</td>
<td>28</td>
<td>4.6</td>
<td>15</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>2.14</td>
<td>12.8</td>
<td>28.1</td>
<td>4.3</td>
<td>15.2</td>
<td>21</td>
</tr>
<tr>
<td>Germany</td>
<td>mean</td>
<td>1.0</td>
<td>19</td>
<td>22.2</td>
<td>4.1</td>
<td>2.05</td>
<td>18.5</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>1.0</td>
<td>18.6</td>
<td>22.6</td>
<td>4.0</td>
<td>20.4</td>
<td>18.6</td>
</tr>
<tr>
<td>Italy</td>
<td>mean</td>
<td>22</td>
<td>16.7</td>
<td>21</td>
<td>4.4</td>
<td>19</td>
<td>17.3</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>22</td>
<td>17</td>
<td>20</td>
<td>4.4</td>
<td>18.9</td>
<td>17.2</td>
</tr>
<tr>
<td>Total</td>
<td>Mean</td>
<td>1.7</td>
<td>16.2</td>
<td>23</td>
<td>4.3</td>
<td>18.1</td>
<td>19</td>
</tr>
</tbody>
</table>

The percentages represent the share of value added in each of the following sectors: AGR. = Agriculture; fishing; Man. = Manufacturing; Finance Act. = Financial Activities; Cons. = Construction; Indus. = Industrial activities (except construction); Ser.pub = Public administration and community services; household activities; comm = Commercial activities, hotels and restaurants; transport. Data is extracted from the database of Eurostat data.
As for the decomposition categories of final demand, the results in Table IV show a strong contribution of the volume of trade in Tunisia. Indeed, imports and exports represent more than 40% of GDP. The total volume of trade (T.Vol.) is 74.7%. What can give us an idea about the degree of vulnerability of the Tunisian economy to external shocks and international fluctuations. Despite the strong opening of the economy, domestic demand remains strong, especially from private consumption whose level is greater than 60% of real GDP.

**Table IV:** Shares of final expenditure in the Tunisian GDP

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>62</td>
<td>16</td>
<td>24</td>
<td>44</td>
<td>47</td>
<td>74.7</td>
<td>1.0</td>
</tr>
<tr>
<td>Median</td>
<td>61</td>
<td>16</td>
<td>24</td>
<td>43</td>
<td>46</td>
<td>74</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Gvt.=government final expenditure; Con.=private final consumption expenditure; Ivit. = Fixed investment, X = exports of goods and services, M. = imports, T. Vol. = (X + M.) / GDP, VS = inventory change. The data are taken from the Central Bank of Tunisia.

Compared with partner countries, the results of both Tables IV and V clearly show a significant difference between the share of exports and imports in GDP in Tunisia and partner countries and the US. In fact, exports to Tunisia present 44% of real GDP against a level on average does not exceed 28% in the partner countries and 10% in the US. Similarly, the share of imports in the Tunisian GDP is almost double that in the partner countries and USA. Contrary, government final expenditure is more important in the GDP of partner countries than in Tunisia.

**Table V:** Expenditure shares in real GDP for DCS.

<table>
<thead>
<tr>
<th></th>
<th>Con.</th>
<th>Gvt.</th>
<th>Ivit.</th>
<th>X.</th>
<th>M.</th>
<th>T.Vol.</th>
<th>VS</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>mean</td>
<td>57.2</td>
<td>24</td>
<td>19.2</td>
<td>25.4</td>
<td>25.6</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>57</td>
<td>23.6</td>
<td>19.3</td>
<td>26</td>
<td>27</td>
<td>55</td>
</tr>
<tr>
<td>Germany</td>
<td>mean</td>
<td>58.3</td>
<td>19</td>
<td>20.3</td>
<td>35</td>
<td>32.6</td>
<td>67.6</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>58.7</td>
<td>19.23</td>
<td>20.5</td>
<td>35</td>
<td>32.4</td>
<td>67.7</td>
</tr>
<tr>
<td>Italy</td>
<td>mean</td>
<td>59</td>
<td>20</td>
<td>20</td>
<td>24.6</td>
<td>24.2</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>60</td>
<td>19.6</td>
<td>20.3</td>
<td>25</td>
<td>25</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>mean</td>
<td>58</td>
<td>21</td>
<td>19.7</td>
<td>28</td>
<td>27</td>
<td>52.5</td>
</tr>
<tr>
<td>U.S.A</td>
<td>mean</td>
<td>68</td>
<td>16.3</td>
<td>18.5</td>
<td>1.0</td>
<td>13</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>67</td>
<td>16</td>
<td>18.9</td>
<td>1.0</td>
<td>13.8</td>
<td>23.7</td>
</tr>
</tbody>
</table>

Gvt.=government final expenditure; Con.=private final consumption expenditure; Ivit. = Fixed investment, X = exports of goods and services, M. = imports, T. Vol. = (X + M.) / GDP, VS = inventory change. Data is extracted from the OECD database.
Regarding the sectoral structure of exports, the results summarized in Table VI show a large contribution of manufacturing in exports of Tunisian goods, particularly textiles, clothing, leather, reaching a level higher than 40% of total exports. The two sectors energy and lubricants, and mining, phosphate and derivatives, they both represent 20% of exports, and agricultural activities 10%. Although the mechanical and electrical industry has a significant share, amounting to 20% of exports, the results show that a considerable share of exports in Tunisia is devoted to primary sectors around 30%.

Table VI: Decomposition of exports

<table>
<thead>
<tr>
<th>X. by sector</th>
<th>Agri. and ind. Food</th>
<th>Text.</th>
<th>Indus. Mécan. and electrical</th>
<th>Other Indust. Manuf</th>
<th>Energy and lubricants</th>
<th>Mining, phosphate and derivatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median</td>
<td>10.0</td>
<td>42.0</td>
<td>20.2</td>
<td>7.7</td>
<td>11.1</td>
<td>9.0</td>
</tr>
<tr>
<td>Mean</td>
<td>9.5</td>
<td>46.1</td>
<td>19.5</td>
<td>7.8</td>
<td>10.2</td>
<td>8.7</td>
</tr>
</tbody>
</table>

Agri. and ind. Food = Agriculture and food industries; Text. = Textiles and leather, clothing and leather; Indus. Mécan. and Electrical = Mechanical and electrical engineering; Other Indust. Manuf. = Other manufacturing industries. Data is extracted from the Tunis National Statistical Institute.

The results in Table VII show a predominance of the electrical machinery industry in the imports with participation to the tune of 40% against 22% for primary products (energy, mining, phosphate and others). This makes Tunisia a country that exports more primary product. They are generally associated with floating world prices, and devote a significant share in imports of mechanical and electrical products having higher prices.

Table VII: Decomposition of imports

<table>
<thead>
<tr>
<th>M. by sector</th>
<th>Agri. and ind. Food</th>
<th>Text.</th>
<th>Indus. Mécan. and electrical</th>
<th>Other Indust. Manuf</th>
<th>Energy and lubricants</th>
<th>Mining, phosphate and derivatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>9.9</td>
<td>21.4</td>
<td>40.2</td>
<td>16.2</td>
<td>10.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Median</td>
<td>9.7</td>
<td>22.6</td>
<td>40.02</td>
<td>16.3</td>
<td>9.3</td>
<td>2.15</td>
</tr>
</tbody>
</table>

Agri. and ind. Food = Agriculture and food industries; Text. = Textiles and leather, clothing and leather; Indus. Mécan. and Electrical = Mechanical and electrical engineering; Other Indust. Manuf. = Other manufacturing industries. Data is extracted from the Tunis National Statistical Institute.

Concerning the sectoral decomposition of trade (exports and imports) in DCS, the first thing that is obvious is the similarity of contributions of each sector in different countries. Indeed, we see from the decomposition of exports in DCS presented in Table VIII, the highest contribution is allocated to the manufacturing sector (in total 87% on average).
Table VIII: Decomposition of exports

<table>
<thead>
<tr>
<th></th>
<th>AGR.</th>
<th>Man.</th>
<th>Machinery and transport equipment</th>
<th>other Manuf. indust.</th>
<th>Lubricant and mining products</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Text.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>Mean</td>
<td>12</td>
<td>3.4</td>
<td>44</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>11.72</td>
<td>3.4</td>
<td>44</td>
<td>35.06</td>
</tr>
<tr>
<td>Germany</td>
<td>Mean</td>
<td>5.7</td>
<td>2.8</td>
<td>51.8</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>5.6</td>
<td>2.7</td>
<td>52.3</td>
<td>33.6</td>
</tr>
<tr>
<td>Italy</td>
<td>Mean</td>
<td>7.6</td>
<td>9.2</td>
<td>38.1</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>7.4</td>
<td>9</td>
<td>38.1</td>
<td>40.1</td>
</tr>
<tr>
<td>Total</td>
<td>Mean</td>
<td>8.4</td>
<td>5.1</td>
<td>44.7</td>
<td>36.36</td>
</tr>
<tr>
<td>U.S.</td>
<td>Mean</td>
<td>6</td>
<td>2</td>
<td>52.4</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>9.5</td>
<td>2</td>
<td>52.6</td>
<td>32.5</td>
</tr>
</tbody>
</table>

Data is extracted from the OECD database

For other manufacturing industries which includes mainly transportation equipment and other industrial products contribute to the tune of 35.1% on average in the exports of DCS Mining sector is also noted the very low contribution (do not exceed 6%). It is the same for exports of agricultural sector, hunting, fishing and forestry and Textiles, textile products, leather and footwear.

Compared to the decomposition of Tunisian exports, the results in the tables VIII and VI shows a resemblance to the level of the low contribution of mining and agriculture. In contrast, the contribution of the textile sector in Tunisia shows a considerably higher level than in DCS. It is the main sector in Tunisian exports (at around 42%) while in DCS it reaches only 5% on average.
Similarly for the decomposition of imports, the results exhibited a primacy of the manufacturing sector with a level equal to 79.4% in France, 76.6% in Germany, 71.1% in Italy and 75.7% for the US. This primacy is mainly due to the strong contribution of imports of machinery and transport equipment. In contrast, the mining and Careers sector registers an increase on average by 5%, compared to its share in exports that varies from one country to another, between 11% and 18%. For the agricultural sector, the results in Table IX exhibit a much higher than those recorded in exports to the tune 10% on average for the European countries and 6% for the US.

Compared to the structure of imports in Tunisia, we see that the part of the Tunisian textile sector imports remains higher than those of the DCS. Note also the share of imports in the mining sector in the DCS is higher in relation to the Tunisian imports in this sector.

Identification of business cycles and dating turning points

In this section, the work will look at the description of the Tunisian business cycle and the developed countries in the sample, trying to determine the phases of expansion and recession and make dating turning points. To do this, it is necessary first to measure the cyclical components of global economic activity (reference cycle) of Tunisia and those of other countries in the sample.

**The extraction of the cyclical component**

*Presentation of the decomposition method “cycle -trend”*

The economic studies refer to two types of definitions for identifying the cyclical component of
macroeconomic variable. The first is based on the definition of Burns and Mitchell (1946), according to which "the business cycle is a type of fluctuation observed in the activity of nations" and thus present the cycle as periodic movements associated with the observed variables. This type of cycle, called "classical cycles" was also adopted by Harding and Pagan (2002; 2006).

While this definition is a traditional reference in the field of investigation, it was rejected and criticized by several macroeconomic studies 'recent', including the study of Baxter and King (1999). These authors adopt for a second approach, called "growth cycles". It consists in decomposing the series studied in a trend component and a cyclical component to reflect the cyclical fluctuations of the economy. This measure of cycle experience a big boom in the early 1980s with the work of real business cycle Kydland and EC Prescott (1982; 1998) they are based on the definition of the business cycle presented by Lucas (1977), which envisaged the economic cycle as "the movement of GDP from its trend."

To do this, there's a multitude of decomposition techniques "trend-cycle". Smoothing methods by filters including those of Hodrick and Prescott (1997) (HP), the band pass filters presented by Marianne Baxter and King (1999) and subsequently developed by Christiano and Fitzgerald (1999) are the most adopted. Contrary to the decomposition of deterministic trends, the filters consider trends as stochastic (the series follows a random walk).

As for the choice of the most adequate filter, studies did not reach a consensus on the most appropriate filter. This leads to some studies to use several filters simultaneously (Agenor, McDermott and Prasad (1998, 2000), Frankel and Rose (1996) and Mojon and Agresti (2001), etc.). However, these studies have found a similarity of results produced by these filters.

Based on the idea that it is more appropriate to set only one filter (Baxter and Kouparchtas (2005)), in what follows, the cyclical component of the various macroeconomic variables will be extracted by HP filter Hodrick and Prescott (1997).

HP filter Hodrick and Prescott (1997) believes that for all t = 1 ... T, serie \( y_t \) is the sum of a stochastic trend \( g_t \) and a cyclical component \( c_t \). The trend component \( g_t \) is the solution of the following optimization program:

\[
\text{Min}_{\{g_t\}_{t=1}^{T}} \left\{ \sum_{t=1}^{T} (y_t - g_t)^2 + \lambda \sum_{t=1}^{T} [(g_t - g_{t-1}) - (g_{t-1} - g_{t-2})]^2 \right\}
\]

As a result, the cycle of a time series \( y_t \) is none other than the deviation from the trend \( g_t \). HP filter has been the subject of several critical (Agenor, McDermott and Prasad (1998); and St. -Amant Guay (2005); Harvey and Jaeger (1993) and Pedersen (2001)). These criticisms revolve mainly around the arbitrary choice of the value of the smoothing parameter \( \lambda \). This parameter represents the degree of the variation of the trend it can determine, as a result the amplitude of the cycle. Hodrick and EC Prescott (1997) propose that this parameter, \( \lambda \), is equal to 100, 1600 or 14400 if the data are respectively annual, quarterly or monthly. This arbitrary choice of the smoothing parameter, according to Harvey and Jaeger (1993) can create spurious cycles and lead to erroneous conclusions about the relationship between the movements of macroeconomic time series in the short term. Some studies have proposed estimation methods for this parameter (Agenor, McDermott and Prasad (2000), and Schlicht (2004)), and suggest applying to each series a clean smoothing parameter to it (the approach of Agenor Pierre-Richard, McDermott, John C. S. and Prasad, Esward (1998)). Similarly, Ravn and Uhlig (2002) proposed a HP filter adjustment based on the frequency of the observations. The study attempts to find the smoothing parameter when the frequency of the sample changes, adopting two approaches: the first is time domain and the second is frequency domain. Both approaches have the same results. It is equal to 6.25, 1600 and 129600 if data are respectively annual, quarterly or monthly.

However, all these problems could not reduce the robustness of the filter in the extraction of cyclical components relative to other decomposition techniques "trend-cycle". According to Ravn and Uhlig
(2002), the HP filter is a standard method to remove trend movements of the business cycle in the literature. Several empirical validations are based on its application, including real business cycles during the past two decades. He was admitted even by the study (Marianne Baxter and King (1999) claiming that the HP filter has the necessary theoretical properties because it is the best approximation of the filter that completely eliminates low frequencies, even if the frequency interval depends the smoothing parameter. Moreover, for Marianne Baxter and King (1999), the HP filter is simply a reasonable approximation of their own band pass filter, especially for quarterly data. The filter (HP) was adopted by several studies such as Aguiar and Gopinath (2004) Jeffrey A. Frankel and Rose (1998), Gregory, Head and Raynauld (1997); and Hairault Sopraseuth (2008); MA Kose and Riezman (2001); Kouparitsas (1997), Mendoza (1995), and Ritschl, Sarferaz and Uebele (2008).

Measuring the reference cycles: application of HP filter

Some studies show the cycle of global economic activity (reference cycle) by the index of industrial production in supporting this by the unavailability of other indicators data, in particular for developing countries (Agenor, McDermott, and Prasad (2000b) Agenor, PierreRichard;, McDermott, John C.;, and Prasad, Eswar (1998); Fayolle (1993)). These authors assume that the use of data on GDP to measure economic activity in a developing country may cause erroneous results. Due to the large share of agriculture in aggregate output in many developing countries, which is in turn influenced more by the weather than by cyclical factors. In addition, for Fayolle (1993) gross domestic product is inert because it records the impact of counter-cyclical forces, such as public expenditure (stabilizers factors). The industrial cycle has more clarity, although it says that dating turning points is very close to the two series.

However, the index of industrial production neglects the part of services sector, which has a significant weight in the economies in particular in economies of our sample (this is shown above in the data analysis). For this, the use of GDP was favored in almost of business cycle studies since it includes all sectors.

In all the following, references cycles of the five countries in the sample (Tunisia, France, Italy, Germany, and the US) will be measured by applying the HP filter on GDP at constant prices, all series will be transformed on log and seasonally adjusted using the Census X11 method.
**Figure 1:** business cycle and trends of the Tunisian real GDP between 2000: Q1 to 2012: Q1 extracted by HP filter.

Figure 1 shows the cyclical component of real GDP of Tunisia extracted by the HP filter. A visibly, the Tunisian business cycle showed three peaks in 2000 Q4 2008 Q1, Q3 2009 and 2010T3 and three troughs in 2003 Q1 2005 Q1 and 2011 Q1. The shape of the cycle is strongly characterized by two recessions.

The first started in 2001Q3 to spread to 2003T1. This recession can be explained by two events: the Ghariba attack (April 2002), particularly the sharp decline in revenue of the tourism sector that ensue. And in addition, the difficult conditions in the world economy (the stock market crisis of 2001-2002).

The second phase of recession is from 2010T4 to 2011T1 this period characterized by unprecedented social and political protests, eventually droop and subsequently introducing a sharp drop in levels of exports and foreign investment. This recession has been deeper than in 2001 but in a shorter duration.

Figure 2-b shows the fluctuations of the value added in different sectors. The diagrams show a parallel evolution by sector with the global cycle, except manufacturing. Furthermore, the sharp fall registered in to 2011T1 in global cycle was also reflected in the manufacturing sector and with harsh way in the two service sectors (drop in tourism revenues) and nonmanufacturing sector (strikes in the mining area, and respite in phosphate exports).

**Figure 2:** Profile of the cyclical components extracted by the HP filter

-a- GDP by sector.

-b- reference cycles of the different countries in the sample.
In contrast, fluctuations in the agricultural and fishing sector have not suffered this fall thanks to the strong rainfall in the country in 2010 and 2011. This period of expansion in the agricultural and fishing sector was the main factor in the rapid recovery of the global economy in Tunisia after the revolution.

For reference cycles of the developed countries (France, Italy, Germany and the USA), Figure 2 b exhibits two major findings. The first is revealed in the strong similarity between the cycles of developed countries, especially European countries. Indeed, the cyclic components of these two peaks register in 2001T1 and 2008Q1, and a trough in 2009Q1. For the US, the turning points are recorded
slightly ahead (a difference of a quarter), but the allure of the cycle is the same as that of other countries.

The second finding concerns the pace of Tunisian cycle compared to that of developed countries. At first sight, the cycles of the five countries show a correlation in the movements, although the duration of the phases in Tunisia is shorter. However, from 2010T4, Tunisian economic fluctuations begin to diverge from the world economy.

As mentioned above, detection or description of a business cycle is through the extraction of the trend and the identification of its turning points. To do this, the next paragraph will adopt the approach (BB) initiated by (Bry and Boschan 1971) and developed subsequently by (Harding and Pagan 2002; Harding and Pagan 2006) for an application on quarterly data.

*Datings of the turning points: an application of the algorithm (BBQ)*

Presentation of the method

Harding and Pagan (2002) consider that dating turning points may sometimes be performed visually, eliminating "false" turning points. They argue, however, the use of the Bry Boschan algorithm and (BB) for monthly data and then developed to apply on quarterly data, denoted (BBQ).

For Harding and Pagan (2002) the approach (BB) is the most reliable to cover the following two essential conditions for adequate dating:

- A peak must be followed by a trough and vice versa. A phase must be at least 6 months (two quarters) and a complete cycle must have a minimum duration of 15 months (five quarters).

The Bry and Boschan algorithm (BBQ) defines a peak or (a trough) as a point which occurs at time t whenever the observed series $y_t$ > $(\text{or} <) y_{t+k}$, $k=1….K$ with K = 5 (given that the duration of a phase is 6 months).

In the case where the data are quarterly (Harding and Pagan 2002) suggest that a peak is detected every time $\{\Delta_2 y_t > 0, \Delta y_t > 0, \Delta y_{t+1} < 0, \Delta_2 y_{t+2} < 0\}$ and a trough, whenever $\{\Delta_2 y_t < 0, \Delta y_t < 0, \Delta y_{t+1} > 0, \Delta_2 y_{t+2} > 0\}$.

Through these turning points (Harding and Pagan 2002) identify the characteristic of cycles - The duration of Cycle and its phases. - The amplitude of the cycle and its phases. - Cumulative movements within the phases (approximate loss for recession or approximate gain stages for expansion phases).

To do this the authors identify each phase by a triangle. The base is the duration of the phase and the height is the amplitude.

(1) Duration of phase: is the number of quarters from peak to trough during depressions phase and from trough to a peak for the expansion phase (the base of the triangle).
(2) The amplitude of the phase is the maximum depth of the series between the peak (trough) and trough (peak) during the contraction phase (expansion): the height of the triangle.
(3) The cumulative loss of the cycle is measured by the area of the triangle. (Fathi 2007b) presents a detailed explanation of the method.

Results and interpretations

Table X brings the various turning points of the cyclical components of global real GDP and by sector (the share of value added). By adopting the same filter to extract the cyclical components (HP filter) turning points are detected by Bry Boshan method on quarterly data, using the program written by Robert Inklaar (2003) on MATLAB.
During the period [2000Q1; 2012T1], the Tunisian business cycle is characterized by three peaks 2001T1, 2009T4 and 2008Q1 and two trough 2003T1, 2011T1 and 2009Q1. Three recessions are recorded amplitude on average 0.04 and a cumulative loss 0.113 point. For expansion phases, the results of the BBQ method resulted two expansion phases. The first extending from 2003T1 to 2008Q1 and the second phase from 2009Q1 to 2009T4 and has a cumulative gain on average 0.236.

As for GDP by sector, the results show a time lag between the turning points of the Tunisian business cycle and those of GDP by sector, although for some points the lag is low points. The duration of recessions is on average seven quarters for the agricultural sector and the manufacturing sector and six quarters for the non-manufacturing sector. The amplitude of the phases varies between 0.15 recorded by the agriculture cycle and 0.03 for the service sector. The duration of the phases of expansion equal on average eleven quarters for the agricultural sector, thirteen quarters for the manufacturing sector, six quarters for the non-manufacturing sector and six quarters for the services sector.

Concerning the partner countries and the US, the results summarized in Table XI show that their turning points are presented almost at the same date. The peaks registered in 2000T4, 2011T2 and 2008Q1 for France, 2001T1, 2011T2 2008Q1 for Italy and in 2001 T1, 2008Q1 and 2011T2 for Germany. It’s the same for troughs. The duration of recessions is nine quarters on average and ten quarters for expansion phases. The highest level of cumulative gain is recorded in France equal to 0.7, between 2003Q2 and 2008Q1, while the lowest is shown in Italy.

For the US business cycle turning points leads those of partner countries by a quarter (peak in 2007Q4 and trough in 2003T1). However, this shift is eliminated during the crisis of 2009. The four developed countries in the sample showed the same trough in 2009Q2. This allows to deduce a strong synchronization between European countries and the US, during the last decade.
### Table X: Identification of the cyclical components of global GDP and by sector (approach Harding and Pagan (2002))

<table>
<thead>
<tr>
<th>Variables</th>
<th>Peak</th>
<th>Recession phase (peak-trough)</th>
<th>trough</th>
<th>Expansion phase (trough-peak)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Period and duration</td>
<td>Amplitude</td>
<td>cumulative loss</td>
</tr>
<tr>
<td>Real GDP</td>
<td>2001Q1</td>
<td>2001Q1-2003Q1 (8 quarters)</td>
<td>-0.048</td>
<td>-0.19</td>
</tr>
<tr>
<td></td>
<td>2008Q1</td>
<td>2008Q1-2009Q1 (4 quarters)</td>
<td>-0.0195</td>
<td>-0.039</td>
</tr>
<tr>
<td></td>
<td>2009Q4</td>
<td>2009Q4-2011Q1 (4 quarters)</td>
<td>-0.055</td>
<td>-0.11</td>
</tr>
<tr>
<td>agr.</td>
<td>2004Q4</td>
<td>2004Q4-2005Q3 (3 quarters)</td>
<td>-0.156</td>
<td>-0.23</td>
</tr>
<tr>
<td></td>
<td>2009Q2</td>
<td>2009Q2-2010Q1 (3 quarters)</td>
<td>-0.12</td>
<td>-0.182</td>
</tr>
<tr>
<td>man.</td>
<td>2002Q2</td>
<td>2002Q2-2004Q4 (10 quarters)</td>
<td>-0.074</td>
<td>-0.37</td>
</tr>
<tr>
<td></td>
<td>2008Q1</td>
<td>2008Q1-2009Q1 (4 quarters)</td>
<td>-0.105</td>
<td>-0.20</td>
</tr>
</tbody>
</table>
Compared to the Tunisian cycle, the results in the table show a correspondence between the dates of the Tunisian cycle turning points with those of partner countries and US, also confirming the synchronization between the business cycles of the countries in the sample. However, this correspondence to the levels of the dates of peaks and troughs has diverged from the end of 2010. In fact, the four developed countries in the sample experienced booms between 2009 Q2 and 2011T2. In contrast, the Tunisian economy during this period experienced a phase of deep recession.

<table>
<thead>
<tr>
<th>nman.</th>
<th>2000Q4 2005Q3 2007Q2 2010Q3</th>
<th>2000Q4-2003Q4 (12 quarters) 2005Q3-2006Q2 (3 quarters) 2007Q2-2008Q2 (4 quarters)</th>
<th>-0,12 -0,096 -0,14</th>
<th>-0,745 -0,144 -0,28</th>
<th>2003Q4 2006Q2 2008Q2</th>
<th>2003Q4-2005Q3 (7 quarters) 2006Q2-2007Q2 (4 quarters) 2008Q2-2010Q3 (9 quarters)</th>
<th>0,103 0,14 0,13</th>
<th>0,72 0,29 0,62</th>
</tr>
</thead>
<tbody>
<tr>
<td>ser.</td>
<td>2001Q1 2003Q3</td>
<td>2001Q1-2002Q2 (5 quarters)</td>
<td>-0,037</td>
<td>-0,09</td>
<td>2002Q2 2004Q4</td>
<td>2002Q2-2003Q4 (6 quarters)</td>
<td>0,017</td>
<td>0,051</td>
</tr>
<tr>
<td></td>
<td>Peak</td>
<td>Recession phase (peak-trough)</td>
<td>Trough</td>
<td>Expansion phase (trough-peak)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------</td>
<td>------------------</td>
<td>-----------------------------------------------------</td>
<td>--------</td>
<td>---------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Period and duration</td>
<td>Amplitude</td>
<td>cumulative loss</td>
<td>Period and duration</td>
<td>Amplitude</td>
<td>cumulative gain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tunisia</td>
<td>2001Q1 2008Q1 2009Q4</td>
<td>2001Q1-2003Q1 (8 quarters).</td>
<td>-0.048</td>
<td>-0.19</td>
<td>2003Q1 2009Q1 2011Q1</td>
<td>2003Q1-2008Q1 (20 quarters)</td>
<td>0.0442</td>
<td>0.442</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2008Q1-2009Q1 (4 quarters)</td>
<td>-0.0195</td>
<td>-0.039</td>
<td></td>
<td>2009Q1-2009Q4 (3 quarters)</td>
<td>0.022</td>
<td>0.03</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2009Q4-2011Q1 (4 quarters)</td>
<td>-0.055</td>
<td>-0.11</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>2000Q4 2008Q1 2011Q2</td>
<td>2000Q4-2003Q2 (10 quarters).</td>
<td>-0.029</td>
<td>-0.146</td>
<td>2003Q2 2009Q2</td>
<td>2003Q2-2008Q1 (19 quarters)</td>
<td>0.037</td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2008Q1-2009Q2 (4 quarters)</td>
<td>-0.047</td>
<td>-0.094</td>
<td></td>
<td>2009Q2-2011Q2 (8 quarters)</td>
<td>0.0265</td>
<td>0.106</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>2001Q1 2008Q1 2011Q2</td>
<td>2000Q1-2005Q1 (20 quarters).</td>
<td>-0.0412</td>
<td>-0.412</td>
<td>2005Q1 2009Q1</td>
<td>2005Q1-2008Q1 (12 quarters).</td>
<td>0.056</td>
<td>0.35</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2008Q1-2009Q1 (4 quarters).</td>
<td>-0.073</td>
<td>-0.146</td>
<td></td>
<td>2009Q1-2011Q2 (8 quarters).</td>
<td>0.052</td>
<td>0.21</td>
</tr>
</tbody>
</table>
In conclusion, from the dating method of turning points of Harding and Pagan (2001), the paper was able to detect and describe the different phases of the Tunisian business cycle and its partners by exposing their amplitudes and durations. The identification of cyclical characteristics highlighted the synchronization between the Tunisian cycle and partner countries and US. The lead between the US cycle turning points and those of European countries shows the rapid transmission of US economic fluctuations to European countries, and who subsequently becomes almost immediately on the Tunisian economy.

The stylized facts present a statistical description of the global and by sector business cycle of Tunisia and the synchronization with its major trading partners and US. It remains to estimate the data by adopting an econometric model in order to see the compatibility of these facts with the results from a econometric estimation. This econometric validation will be the subject of the second section.

**Tunisian business cycle synchronization with major partners and US:**

*Dynamic latent factor model (James H. Stock and Watson 1988)*

The objective is to see if the Tunisian business cycle can form a common cycle with those of its trading partners (France, Italy, and Germany) and US? To do this, the work will follow the approach of JH Stock and Watson (1988, 1993) to estimate simultaneously (i) a common dynamic factor for all series (common cycle), and (ii) an idiosyncratic component.

MA Kose, Otrok and Whiteman (2003) consider that "Understanding the sources of international economic fluctuations is important both for developing business cycle models and making policy. For example, if most of the variation in economic activity in a set of countries with different economic policies, institutions, and economic structures is explained by a world business cycle, this lends support to the predictions of theoretical models emphasizing the common characteristics in the operations of markets rather than the differences in economic policies or institutional environments in those countries. Similarly, if a significant fraction of domestic business cycles is due to the common world factor, this implies that policies targeting external balances to stabilize sudden movements in economic activity might be ineffective".
Presentation of the model

The dynamic latent factor model is a multivariate time series model initiated by JH Stock and Watson (1988; 1993). The study is based on the notion of co-movements in all macroeconomic variables that have a common element and can be captured by a single latent variable, unobserved representing the global activity of the economy.

It takes the following form:

\( \begin{align*}
(1) \quad X_{it} &= \gamma_i C_t + u_{it} \\
(2) \quad \Phi(L) C_t &= \eta_t \\
(3) \quad \Psi_i(L) u_t &= \epsilon_{it} \\
(4) 
\end{align*} \)

\( X_{it} \) is an \((N \times 1)\) vector of observed variables. The hypothesis that time series has a significant correlation. From equation (1) (measurement equation), \( X_{it} \) is composed of two stochastic components: the common unobserved variable, denoted by \( C_t \) and an \( n \)-dimensional component (number of observed series) representing idiosyncratic movements denoted \( u_{it} \).

The two equations (2) and (3) are the state or transition equations. These equations present both common and idiosyncratic components as an autoregressive regression AR ordered \( p \) and \( q \) respectively. \( \Phi(L) \) and \( \Psi_i(L) \) are lag operator polynomials.

The assumptions that identify restrictions to estimate parameters and extract the common factor \( C_t \) are:

- \( H_1: \) time series has a significant correlation.
- \( H_2: E(\eta_t, \epsilon_{it}) = 0 \Rightarrow \) var-cov matrix denoted \( \Sigma = \text{diag}(\sigma_{\eta}^2, \sigma_{\epsilon_1}^2, \ldots, \sigma_{\epsilon_n}^2) \).
- \( H_3: \eta \sim N(0, 1) \Rightarrow \) any movement of the model is produced of the common factor.

The system model is estimated in two stages. First, by the method of Kalman filter (Bodart and Candelon (2000), Hamilton (1989) and Harvey (1981)), then, by the Maximum likelihood estimation method.

Results and interpretations

To estimate the common factor for the reference cycles of the five countries in our sample, it is essential to check the level of correlation between the observed series.

Verification of the correlation hypothesis of the series: the method of moments.

In this paragraph, the paper focuses on the extent of the correlation between the Tunisian reference cycles with those of developed countries in the sample. The moment is the estimated cross-correlation. It is used in the different studies of business cycles for measuring the degree of synchronization, or the co-movement of these cycles. In other words, it allows to study the behavior of the reference cycle (Agenor, McDermott and Prasad (2000b) DK Backus and Kehoe (1992); D. Backus, Kehoe, and Kydland (1993); Di Giovanni and Levchenko (2010); MA Kose and Riezman (2001) and Kouparitsas (1997).

However, Harding and Pagan (2002, 2006) proposed to measure the degree of concordance between macroeconomic variables by another statistic called concordance index (\( \hat{I} \)). They present it as the fraction of time during which the two series are simultaneously in the same state of expansion (\( S_t=1 \)) or contraction (\( S_t=0 \)). Formally, the concordance index between two variables \( X \) and \( Y \) is written as follows:

\[ I = \frac{1}{T} \left\{ \sum_{t=1}^{T} S_{xt} S_{yt} + \sum_{t=1}^{T} (1 - S_{xt})(1 - S_{yt}) \right\} \]
The authors showed that this index is able to capture if the variable \( y_t \) is pro- or countercyclical compared to another \( x_t \). If the index \( \hat{I}_{xy} = 1 \), the variable is pro-cyclical, it is countercyclical if the index \( \hat{I}_{xy} = 0 \).

To develop this index, Harding and Pagan (2006) present it as a function of correlation coefficient

\[
\hat{I} = \frac{1}{T} \left\{ \sum_{t=1}^{T} S_{xt} S_{yt} - \frac{1}{T} \sum_{t=1}^{T} S_{xt} - \frac{1}{T} \sum_{t=1}^{T} S_{yt} + \frac{1}{T} \sum_{t=1}^{T} S_{xt} S_{yt} \right\}
\]

This new formulation of the concordance index led Harding and Pagan (2006) to conclude a monotonic relationship between the correlation coefficient and concordance index. The authors have shown that when the correlation coefficient is equal to 1 and (-1), this gives values corresponding to the index \( \hat{I}_{xy} \) respectively equal to 1 and (0). This means a contradiction between the findings from the two statistical measures. Consequently, Harding and Pagan (2006) found that their index used to measure the degree of synchronization requires corrections, and it is more appropriate to use the correlation between cycles to gauge the degree of synchronization between variables cycles studied.

Due to this ambiguity on the robustness of the concordance index, our work will adopt the correlation coefficient to evaluate the correlation between the different cycles. Correlations are calculated by the GMM method. This method is robust because it corrects heteroskedasticity and autocorrelation of the error terms. The results are summarized in Table XII.

According Agenor, McDermott and Prasad (2000b), a series \( y_t \) is highly correlated if the coefficient of correlation, in absolute value is between 0.26 and 1, is weakly correlated if the correlation coefficient is between 0.13 and 0.26, it is uncorrelated variables when the absolute value of correlation coefficient is between 0.13 and 0.

By examining the correlation levels between cycles of different partner countries and the US, the results show a strong synchronization between the industrialized countries in the sample, especially among European countries (a correlation coefficient near 1). For US, the correlation level remains high (between 0.74 and 0.87), but lower compared to that recorded between the three European countries (greater than 0.91).

Compared to Tunisia, the cross correlation coefficients show a strong positive correlation between the Tunisian cycle and those of developed countries. This result shows the procyclical behavior of economic fluctuations of developed countries with the Tunisian cycle.
### Table XII: The correlation coefficients

<table>
<thead>
<tr>
<th></th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>US</th>
<th>Tunisia</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>0.91</td>
<td>(0.02)</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>0.94</td>
<td>(0.01)</td>
<td>0.95</td>
<td>(0.01)</td>
<td>1</td>
</tr>
<tr>
<td>US</td>
<td>0.87</td>
<td>(0.03)</td>
<td>0.74</td>
<td>(0.06)</td>
<td>0.81</td>
</tr>
<tr>
<td>Tunisia</td>
<td>0.62</td>
<td>(0.08)</td>
<td>0.50</td>
<td>(0.09)</td>
<td>0.53</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.52</td>
<td>(0.09)</td>
<td>1</td>
</tr>
</tbody>
</table>

This strong correlation between the reference cycles in different countries allows us to move to the application of the model.

**Results**

The vector of observed series, $X_t$ of equation (1) is composed of the reference cycles of five countries. Quarterly data is from 2000Q1 to 2010T4. The work is limited to this period because the introduction of the two years 2011 and 2012 decreases the level of correlation, although it remains significant between 0.19 and 0.26. Common factor $C_t$ is a regression ordered 2. It is the same for specific factor $u_t$.

The parameters to be estimated are $\gamma_i$, $\varphi(L)$, $\sigma^2 \varepsilon_t$. $\gamma_i$ is loading factors. It measures the sensitivity of each observed variable relative to common factor (Ayhan Kose, Otrok and Whiteman (2008); and Ssozi Kishor (2011); Otrok and Whiteman (1998); Wang Gao and McNown (2009)).

Table XIII includes the estimated parameters of the dynamic latent factor model. First, the results exhibit a strong persistence of common factor $C_t$. This is shown by a positive and significant coefficient associated to the autoregressive term ordered 1 of the common factor. This coefficient is equal to 0.78.

The second finding from this estimate is for loading factors ($\gamma_i$). The results show a significant coefficient for loading factors allowing to deduce a strong synchronization between the reference cycles of the five countries and they can form a common cycle.

However, the sensitivity of the observed variables to the common factor differs from one country to another. Indeed, the load factor associated with Tunisia is the smallest (in terms of magnitude and significance) compared to those in other countries. This one shows the weak role (relative to the developed countries of the sample) of a common shock on Tunisian business cycle.
Table XIII: The estimation of the parameters of the dynamic latent factor model

<table>
<thead>
<tr>
<th>Pays</th>
<th>γi</th>
<th>Ψi</th>
<th>σₑi</th>
<th>Φ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tunisie</td>
<td>0.002 (2.21)</td>
<td>-0.103 (0.67)</td>
<td>.00 (4.61)</td>
<td>0.7834 (4.21)</td>
</tr>
<tr>
<td>France</td>
<td>0.003 (6.73)</td>
<td>-.417 (2.36)</td>
<td>4.76e-06 (3.01)</td>
<td>-.24028 (-1.36)</td>
</tr>
<tr>
<td>Italie</td>
<td>0.004 (6.79)</td>
<td>-.002 (0.01)</td>
<td>4.97e-06 (2.20)</td>
<td></td>
</tr>
<tr>
<td>Allemagne</td>
<td>0.005 (6.02)</td>
<td>-.025 (0.13)</td>
<td>.000 3.47</td>
<td></td>
</tr>
<tr>
<td>E.U</td>
<td>0.003 (4.97)</td>
<td>-.089 (0.48)</td>
<td>.00 (4.08 )</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3 presents the allure of common factor $C_t$. From this graph, the common cycle of the five countries in the sample could represent the two periods of crisis in the world economy over the period 2000T1-2010T4. This is illustrated especially by three troughs in 2001, 2003, and 2009. This also corresponds well with the results of stylized facts found with BBQ algorithm.

Figure 3: common factor $C_t$

Conclusion

The issue in this work is the "Tunisian business cycle can it form a common cycle with major trading partners (France, Italy, Germany) and US?" It is to test the degree of synchronization business cycles of the different countries. In order to achieve this, the work began by measuring identifying references cycles of the five countries and dating of their turning points by adopting the BBQ method. Then, and in order of an econometric validation the paper adopted the dynamic latent factor model (Stock-Watson), to measure the sensitivity of the Tunisian economy to a world common shock. The results of the BBQ method have shown the synchronization between the Tunisian cycle and those of trading partner countries and US. This synchronization of the Tunisian economy has been very pronounced with the cycles of the European countries.

The gap between US turning points and those of European countries shows the rapid transmission of US economic fluctuations to European countries, and who subsequently becomes almost immediately on the Tunisian business cycle. This supports the relative similarity of economic structure found between the GDP of these countries. In addition, the econometric results corroborate the synchronization of the Tunisian business cycle with those of developed countries in the sample. Indeed, the estimations conclude a significant part of the common factor in the Tunisian business cycle although the amplitude of Tunisian coefficient remains small relative to the cycles of other countries.
This allows us to deduce Tunisian business cycle synchronization with the World economic climate, especially with France, Italy, Germany, and US. This implies that the elaboration of monetary and fiscal policies must take into account the common characteristics of the world economy rather than focus only on characteristics of the domestic economy of Tunisia.

References


Sargent, T. J., and C. A. Sims. 1977. « Business cycle modeling without pretending to have too much a priori economic theory ». New Methods in Business Research, Federal Reserve Bank of Minneapolis, Minneapolis.


A Review of Malaysia’s Private Sector Services Retirement and Pension System

Kamal Halili Hassan, Universiti Kebangsaan Malaysia, Malaysia
Fariza Ahmad, Universiti Kebangsaan Malaysia, Malaysia
Rohani Abdul Rahim, Universiti Kebangsaan Malaysia, Malaysia
Tengku Noor Azira Tengku Zainuddin, Universiti Kebangsaan Malaysia, Malaysia
Rooshida Merican A R Merican, Universiti Kebangsaan Malaysia, Malaysia

Abstract

The purpose of this paper is to discuss the retirement and pension system or scheme in the private sector services in Malaysia. The pension system of the private sector is made through compulsory contribution under the Employees’ Provident Fund Act 1991 where employers and employees have to contribute a certain percentage of the employees’ monthly salary to the Employee Provident Fund (EPF). Thus, the private sector workers’ savings for their retirement are in their EPF and they are entitled to withdraw part of their savings during pre-retirement and full withdrawal at the age of 55 years old. This research shows that a large number of retirees spend their EPF money within 3 years of their retirement. Many of the retirees also have to continue working to sustain their life during retirement. This paper covers legal issues on retirement and pension schemes in the private sector as well as awareness connected to retirement scheme or plan among workers and retirees in Malaysia. The methodology used in this research is quantitative where data will be presented based on a survey conducted in Kuala Lumpur and Selangor, Malaysia. The study also found that there is mixed support for a proposed legislation to establish fixed monthly pension scheme to be paid during retirement in the private sector.

Keywords: Malaysia, pension system, private sector, employee, legislation

Introduction

A retirement scheme for the Malaysian private sector attracted an interesting debate recently since the Employee Provident Fund (EPF) mooted a proposal to raise the age for the withdrawal of workers’ EPF savings to 60. A survey on the EPF website to gauge the response to this revealed that an overwhelming majority were against the proposal and preferred that the age limit remain at 55. This situation actually underlies the lingering issue of a pension scheme in the private sector in Malaysia which has not undergone any change for a long time. There is also the question of whether the Malaysian public is confident that a public body like the EPF can provide a better scheme which would benefit depositors in the long run. The feedback from the survey showed that depositors would prefer withdrawing all their money and to spend and invest it by themselves. However, research shows that most depositors spent all their EPF money within 3 years of withdrawal (Suhaimi Abd Samad et al., 2012) and were forced to continue working during their retirement to sustain their living standards (Siti Zaharah Jamaluddin & Foo Yuen Wah, 2013). Despite the recent phenomenon of distrusting the EPF, this study will analyse and put forward suggestions for a better scheme for private sector employees. The proposal will incorporate a scheme for withdrawal in stages of EPF depositor’s funds where later withdrawals after the age of 55 years will attract a higher profit or dividend. However, based on the feedback received from the EPF survey this scheme cannot be made compulsory at this juncture. A monthly pension scheme for certain categories of private sector retirees is also proposed.
Methodology

Using both qualitative and quantitative methods, this study discusses the pension law for private sector employees and the feedback obtained on the proposed pension scheme. In legal research, the qualitative method takes the form of discussions and analysis of the law itself based on statutes, cases, articles, books and other official documents. Actually it is somewhat misleading to distinguish between primary and secondary materials in legal research where what looks like secondary materials to the other social science research disciplines are primary sources in legal research. For example, statutes and reported case-law are primary sources in legal research although they are published by a third party. For the quantitative method in this study, a questionnaire was distributed to 400 respondents in Selangor and Kuala Lumpur, Malaysia. Many private sector employees work in both areas of research and it is argued that the chosen areas are representative of the private sector employment setting in Malaysia. Details on the demography of the respondents are stated below.

Current Legislation

The pension system for private sector employees consists of social security and social insurance programs, with the former covering social security retirement benefits (Saidatulakmal Mohd, 2013). The financial resources of private sector employees come from compulsory instalment or lump-sum monthly contributions by employees and their employers to the EPF (Section 55 of the Employees Provident Fund Act, 1991). A certain percentage of the employees’ monthly income as prescribed by the Act is allotted for this purpose and it is an offence under the law for employers not to remit the money to the EPF. Such savings made for employees/depositors during their working life can be withdrawn when they reached 55. Thereafter private sector employees have to manage their funds during retirement. Unlike public/government sector employees who receive a monthly pension, workers in the private sector do not enjoy such benefit. Also, unlike public employees who continue receiving free health services from government hospitals, private sector counterparts do not enjoy such services. This is the predicament that many of the latter, especially those from the lower income brackets, face during their retirement as the cost of health services is high and increasing.

The EPF was launched in 1951 as a mandatory savings scheme for old age and it allows early withdrawals for housing, health care and education purposes. It is a trust fund and its concept is really simple being defined as contribution plan based on contributions by employers and employees (Benjamin Chan et al., 2010). This mandatory savings plan is administered by the Employees Provident Fund (EPF) and covers more than half of the labour force in Malaysia; however, according to researchers these savings are inadequate and inequitable (Mukul G. Asher & Azad Singh Bali, 2010) for the employees’ retirement years. Depositors only earn about 4-6% of yearly dividends despite the huge sums of money collected by the EPF. Another study by Mazlynda Md Yusuf et al. (2014) noted that the EPF is a Defined Contribution Pension Plan and the total volume of savings in the fund is dependent on the amounts contributed by employees and employers. The current contribution rate is listed out in the Third Schedule (11% and 13 %) and for those whose monthly salary is RM20,000 or above the contribution rates are 11% and 12% of the employee’s salary to be remitted by the employer to EPF.

The EPF Act 1991 (Act 452) is to provide for the law relating to a scheme of savings for employees' retirement and the management of the savings for retirement purposes. For the purposes of managing the fund and carrying it into effect, the Act established a body corporate called the "Employees Provident Fund Board”. All contributions required to be made under this Act, money earned by carrying out any project, scheme or enterprise financed from the Fund must be paid into the Employee Provident Fund. The Board invests the money contributed to the fund and also can grant loans or buy shares in any approved companies. The Board can also invest or re-invest at least 50% of the money belonging to the Fund and invest or reinvest during any one year, in securities issued by the Government of Malaysia. At or after the end of the...
financial year, the Board must declare a rate of dividend in respect of that year, being not less than 2.5% per annum (Mohd Syahrir et al., 2011).

The Employees’ Social Security Act 1969 is another legislation providing for pension to insured employees but it is only applicable to those suffering from some invalidity. In addition, the Act also provides for various benefits to employees for disablement or other sickness due to an employment injury. This Act is not in the strictest sense a form of safety net legislation for general pensioners but only for insured employees suffering from occupational mishaps.

**Literature Review**

Various literatures have dealt with issues concerning the retirement for employees and retirees in private sector employment. Most centre on issues of saving awareness and knowledge among them but there is not much direct attention to the legal aspects of retirement legislation or pension systems. In their article titled “The future of the Malaysian older employees: An Exploratory study” Benjamin Chan et al., 2010 note that most respondents were still at work; however factors like compulsory retirement, lack of skills, health reasons and family responsibilities might contribute to work accessibility barriers among older Malaysians. Meanwhile, some of them continued to work due to financial needs while only a small fraction did so due to a sense of self-achievement and fulfilment. The study was based on 1178 male and 1149 female respondents aged between 55 and 75.

Mazlynda et al (2014) in “Pre-retirement withdrawal in EPF: An Exploratory study in Malaysia” found that with pre-retirement withdrawals, women are unlikely to maintain their standard of living under the present retirement scheme due to low replacement rates as well as face higher risk of poverty compared to men. The implementation of pre-retirement withdrawal exposes women to a higher risk of poverty in old age. The focus of their research is on the adequacy of the retirement income for retirees in Malaysia based on the current retirement benefit schemes in Malaysia.

A study by M.Krishnamoorthy (2012) titled “A study on the retirement planning behaviour of working Individuals in Malaysia” notes that different age groups of working individuals have different perspectives toward retirement planning behaviour. The younger generation of working individuals (26-35 years) had better perceptions toward the retirement planning and were not worried about retirement. Thus, early planning for retirement may bring advantages and benefits and enable them to retire to pursue other goals and dreams as their employment and financial planning time-frames are longer.

Kevin Caraher (2000) wrote an important piece on “Issues in incomes provision for the elderly in Malaysia” and suggested that (i) lump sum payments do not represent the best option for income security into old age; (ii) increased accessibility to funds prior to retirement through dedicated separate accounts lessens the ability of the EPF to act as a reliable source of income for the elderly; and (iii) current arrangements are inadequate to meet the needs of an increasingly elderly population leaving them more vulnerable to the socially exclusive aspects of poverty in old age.

The study by Kevin Caraher is related to this research as it focuses on the adequacy or otherwise of the EPF system as a main source for sustainable retirement income.

**Findings**

A total of 400 respondents comprising 193 (48.25%) males and 207 (51.74%) females living and working in Kuala Lumpur and the state of Selangor, Malaysia participated in this study. The majority of private sector employees in Malaysia work in this area and their participation could be considered representative of the whole country. The respondents employed as professionals
and managerial totalled 115 (31.3%), technicians and associate professionals 28 (7.0%), workers employed in services and sales 77 (19.3%), workers in agriculture and fisheries 1 (0.3%), crafts and other related works 3 (0.8%), clerks 99 (24.8%), factory operators 39 (9.8%), and others 28 (7.7%). In terms of sector, the largest number of respondents was from services (275 or 68.8%) while manufacturing had 60 (15.0%), construction 43 (10.8%), mining 17 (4.3%), and agriculture 5 (1.3%). For ethnic groups, most respondents (297 or 74.3%) were Malays, followed by Chinese 73 (18.3%), Indian 26 (6.5%), and others 4 (1.0%). The largest group of respondents had a secondary education 149 (37.3.1%) followed by first degree holders 116 (29.0%), Diploma holder 90 (22.5%), Master and PhD holders 38 (9.5%) while 3 (0.8%) were without any formal education. This demography is in line with a previous study by Nurasyikin (2012) who noted that “the results of logistic regression indicated the perceived importance of financial advisor, perceived financial risk tolerance, perceived plan design, age, gender, and marital status as the significant predictors of individuals’ likelihood to invest part of their retirement savings in the unit trusts”.

The findings of this study are shown in Table 1 and 2.

### Table 1- Retirement Scheme: EPF and Private Pension Scheme Funds

<table>
<thead>
<tr>
<th>ITEMS</th>
<th>MIN</th>
<th>Not Agree</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The practice of paying out full EPF savings upon retirement to the contributors should be continued</td>
<td>4.44</td>
<td>106</td>
<td>294</td>
</tr>
<tr>
<td>2. It is better to pay EPF savings by monthly installment to the contributors after retirement</td>
<td>3.71</td>
<td>189</td>
<td>211</td>
</tr>
<tr>
<td>3. Half of the EPF savings to be paid in lump sum and another half to be paid monthly after retirement</td>
<td>4.33</td>
<td>109</td>
<td>291</td>
</tr>
<tr>
<td>4. The employees’ EPF monthly contribution rate is burdensome</td>
<td>2.87</td>
<td>269</td>
<td>131</td>
</tr>
<tr>
<td>5. The EPF monthly contribution rate should be increased</td>
<td>3.77</td>
<td>181</td>
<td>219</td>
</tr>
<tr>
<td>6. The EPF saving is insufficient to support private sector employees during retirement</td>
<td>3.84</td>
<td>152</td>
<td>248</td>
</tr>
<tr>
<td>7. My EPF savings are sufficient to support my family and my expenditure during retirement</td>
<td>3.72</td>
<td>172</td>
<td>228</td>
</tr>
<tr>
<td>8. Private sector employees must have other financial resources besides EPF savings for retirement</td>
<td>4.84</td>
<td>41</td>
<td>359</td>
</tr>
<tr>
<td>9. The government must enact legislation to make it compulsory for all private sector employees/retirees, irrespective of their amount of salary, to participate in the private retirement scheme</td>
<td>4.46</td>
<td>83</td>
<td>317</td>
</tr>
<tr>
<td>10. The government must enact legislation to make it compulsory for private sector employees/retirees earning salary amounting to RM5,000 and below to participate in the private retirement scheme</td>
<td>4.55</td>
<td>65</td>
<td>335</td>
</tr>
<tr>
<td>11. The private retirement scheme is required for retirement</td>
<td>4.64</td>
<td>53</td>
<td>346</td>
</tr>
<tr>
<td>12. Exposure for private retirement scheme should be expanded</td>
<td>4.97</td>
<td>41</td>
<td>359</td>
</tr>
<tr>
<td>13. Your knowledge on private retirement scheme is low</td>
<td>4.02</td>
<td>132</td>
<td>268</td>
</tr>
<tr>
<td>14. The private retirement scheme provides better returns/dividends compared other saving modes in financial institutions</td>
<td>3.93</td>
<td>147</td>
<td>253</td>
</tr>
<tr>
<td>15. My present income is insufficient to participate in the private pension scheme</td>
<td>3.96</td>
<td>146</td>
<td>254</td>
</tr>
</tbody>
</table>

Source: Original survey by this research team, 2015

### Analysis

From the above data, we can safely argue that the majority of respondents agreed that EPF savings are inadequate to support private sector employees during their retirement life with 248 respondents (median 3.84) agreeing with that statement. This response relates to a general
perception of EPF saving as a support for retirement, but when asked whether “my EPF savings are sufficient to support my family and my expenditure during retirement”, 228 respondents (median 3.72) agreed they were sufficient. An overwhelming majority of 359 respondents (4.84 median) agreed that “private sector employees must have other financial resources, besides EPF savings, for retirement”. The respondents also said that a private retirement scheme is a good step for retirees with 346 (median 3.64) supporting it. However, the majority of the respondents admitted that their knowledge of and exposure to private retirement schemes among private sector employees is very low with a total of 359 (median 4.97) agreeing that such exposure should be expanded. 268 respondents (median 4.02) responded that their knowledge on private retirement scheme is low. The findings are in line with a study by Jee Yoong Folk et al., (2012) on “Financial literacy key to retirement planning in Malaysia” which revealed “that some mediating effect existed between financial learning and behavioural assessment of personal finance, and that the older age groups had mediating effect on the relationship between financial learning and subjective perception of satisfaction with personal finance”. A study by Nurul Shahnaz and Tabiani (2013) echoed the same results stating that, “Overall, financial literacy is an important determinant of individual savings and financial literacy is defined as individuals’ knowledge about basic and advanced financial topics”.

Table 2: Private Pension Scheme Providers

<table>
<thead>
<tr>
<th>Name of provider</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Aminvestment Management</td>
<td>5</td>
</tr>
<tr>
<td>2. Public Mutual</td>
<td>50</td>
</tr>
<tr>
<td>3. Cimb-Principal Asset Management</td>
<td>41</td>
</tr>
<tr>
<td>4. AIA Pension</td>
<td>11</td>
</tr>
<tr>
<td>5. Manulife Asset Management</td>
<td>7</td>
</tr>
<tr>
<td>6. Kenanga Investor Bhd</td>
<td>1</td>
</tr>
<tr>
<td>7. RHB Asset Management</td>
<td>5</td>
</tr>
<tr>
<td>8. Affin Hwang Asset</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 3: Reasons for Not Participating in the Private Pension Scheme

<table>
<thead>
<tr>
<th>Reasons for not participating</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Current income is only sufficient for basic needs</td>
<td>97</td>
</tr>
<tr>
<td>2. EPF savings are enough for retirement</td>
<td>46</td>
</tr>
<tr>
<td>3. No knowledge or not exposed to this scheme</td>
<td>113</td>
</tr>
<tr>
<td>4. Schemes offered are not Shari’ah compliant</td>
<td>18</td>
</tr>
</tbody>
</table>
years old is still practised and consequently all depositors make full withdrawal. Suggestions and Conclusion

1. EPF depositors should be allowed to make withdrawal in stages from age 55 years and thereafter a higher dividend should be given to the balances still in the fund. The longer the money is left in the fund, the higher the dividends payout.

2. Tax exemption to employers participating in such a scheme.

3. The government to assist financially and match depositors’ EPF savings after the age of 55 years.

4. Wide publicity for private retirement schemes and a higher tax exemption to both employees and employers participating in such schemes.

It can be concluded that many retirees, especially those from the lower income brackets, face hard times and many are forced to continue working to sustain their life in old age. The dilemma of many depositors is that they want to fully withdraw their EPF savings upon retirement but at the same time hope for access to a pension scheme akin to that enjoyed by public sector employees. An amendment to the existing EPF Act or a new legislation for a private pension scheme is needed if the above suggestions are to be adopted by the government.

Acknowledgment

The authors would like to record their appreciation to Universiti Kebangsaan Malaysia for providing research grant, No. ETP-2013-029.

References


Ownership Structure, Innovation and Firm Performance: Evidence from Tunisia

Ghazi Zouari, University of Sfax, Tunisia
Rim Zouari-Hadiji, University of Sfax, Tunisia

Abstract

This article examines the relationship between the ownership structure and firm performance through the innovation level with respect to the Tunisian context. Based on contractual and cognitive corporate-governance perspectives, firm performance is directly assessed through the mode of ownership structure and innovation level. In addition, our adapted model includes some control variables such as the firm size, activity sector and whether it is listed or not. Through this model, we seek to highlight the extent to which the innovation level acts as a mediating variable between the internal corporate-governance mechanism and performance. The empirical study conducted pertains to a sample composed of 95 Tunisian firms regarding the period 2006-2007. The performed linear-regression results show that the relationship between ownership concentration and managerial ownership, on the one hand, and firm performance, on the other, turns out to be mediated by the firm innovation-level. Similarly, an attempt has been made to demonstrate that the banks’ shareholding has had no influence on determining the firm performance through innovation policies in so far as Tunisian firms are concerned.

Keywords: Ownership concentration, managerial ownership, banks’ shareholding, innovation, firm performance, mediator.

1. Introduction

The firm’s ability to innovate is usually regarded as a major determinant of its performance level. However, most of the governance contractual-approach relevant works argue that without an appropriate control system reducing the managerial discretion and asymmetric-information1 pertinent problems, the efficiency of innovations would not be able to contribute in improving the corporate value. These phenomena are further accentuated primarily due to the characteristics of innovation, namely: the long-time potential horizon (Xu and Zhang, 2004), a higher risk-rate (Nekhili and Poincelot, 2000) as well as specific feature of such an investment (Williamson 1988; Shleifer and Vishny 1992).

Owing to the fact that managers can be induced to under-invest in innovating for the sake of maximizing their own utility rather than the shareholders’ wealth, works pertaining to finance assume that investors have different control modes at their disposal which they can use to align interests and enhance such investments. In fact, the ownership structure constitutes an internal type of control system over the managers’ practices. Indeed, most works pertinent to the relationship between corporate-governance systems and innovation (Hill and Snell 1988; Baysinger et al. 1991; Porter 1992a and b; Bushee 2001; Lee and O’Neill 2003; Hosono et al. 2004; Lee 2005; Zouari-hadiji and Zouari 2010 a and b) partly confirm the role played by the ownership structure in reducing conflicts of interest prevalent among stakeholders and, therefore, the managers’ behaviour tendency with regard to innovation.

1 Charreaux (2001) demonstrates that information asymmetry is usually considered as the major source of interest conflicts among stakeholders, leading to distortions in matters of innovation, especially through its features.
Although the contractual approach to corporate-governance does have certain advantages to offer in terms of simplicity and relative efficiency-measure (concerning value creation), it also shows some shortcomings (Charreaux and Desbrières 1998), as highlighted by the meta-analysis studies dealing with corporate governance. Motivated by these shortcomings, our purpose lies in developing a new research line whereby the trend distinctive features are integrated into a single value-creation model. More specifically, the current cognitive tendency helps enrich the understanding of corporate governance in such a way that the learning and innovation concepts become central aspects. Actually, this theory emphasizes the importance of skills and knowledge as major factors of the value creation process (Charreaux, 2002) and gives more impetus to the study of the corporate-governance mechanisms’ role in promoting innovative projects. Within the scope of this framework, the efficiency highly sought by any firm becomes a continuously dynamic concern or discipline. It is measured by its ability to create value in a sustainable manner through learning and innovation (Charreaux, 2004).

Based on the corporate governance theories with their both cognitive and contractual factions, we intend to justify the theoretical associating prevailing between the ownership structure and innovation. To our knowledge, and after an exhaustive literary search, it has been discovered that studies attempting to incorporate the three dimensions into a single perspective, namely: ownership structure, innovation, and performance, are very scarce or almost absent, this leads to the justification that the theoretical foundation of these relationships proves to be complex. These interrelationships must be specified by including the mediating concept of innovation activities. This implies that the direct relationship between the ownership structure and performance turns out to be rather an indirect relationship through the interference of the firm’s innovation-level of influence. In this configuration, the innovation level acts as a mediating variable between such an internal corporate governance mechanism and performance.

Thus, one might well wonder whether the cognitive and contractual theories of corporate governance, using the innovation variable as a detecting assessment measurement of growth opportunities, can well explain the firm performance.

To address this problem, a hypothetico-deductive approach has been adopted to treat the following two sections. The first section presents the theoretical model which postulates that ownership structure can have a certain influence on performance. In the midst of this direct relationship, some variables interfere prominent among which is the innovation level. In addition to its being influenced by ownership structure, this variable influences, in turn, the firm performance. As for the second empirical section, it aims at testing the innovation level’s potential effect as a mediator between the ownership structure and performance, in three separate models (one model for each ownership structure variable).

2. Theoretical foundations and hypotheses

It is worth highlighting that the risk level, temporal horizon and asset specificity, as major supports of innovation, are sources of conflict inducing cognitive and agency costs among shareholders, creditors, and managers. Hence, governance mechanisms turn out to be necessary to align the interests, impose a special effect on every source of conflict and consequently, act to privilege the innovation, as a major source of value creation. The managers’ tendency to opt for such an investment to achieve a certain performance highly depends on the degree of ownership concentration, managerial proprietorship, and bank-shareholding. In this respect, we propose to examine the innovation mediating role in the

---

2 Initially, it has a relatively limited normative explanatory power of the governance system (especially within firms whose governance profile is not of an Anglo-Saxon nature). Besides, it assumes that a passive manager’s behavior is supposed to undergo disciplinary action mechanisms, which may lead to an overestimation of their efficiency. Similarly, the current composition of the shareholding structure is far from being covered and targeted initially and exclusively by Berle and Means (1932).
relationship dominating the shareholding structure and performance. This undertaking, we reckon, would allow to check, whether the concerned indirect effect does exist or not.

2.1. Ownership concentration, innovation and firm performance

The managers’ tendency to increase performance through implementing innovation projects largely depends on the main shareholder’s contribution bearing a twofold objective, namely, apprehending the investor’s role in its entirety as well as better understanding of his participation in the value-creation process through adopting innovation strategies. This is partly intended to explain a remarkable proportion of variation in firm performance (O’Sullivan 2000; Tylecote and Ramirez 2005). Indeed, ownership concentration is considered as a means applied to enhance the innovation policy, thus improving the firm performance.

In addition to their amount of capital contribution and the number of votes they hold, shareholders are in position not only to monitor managers, but also influence the latter’s decisions so as to act according to their objectives. In this context, Huson et al. (2004) observe that the rotation of managers is ineffective since their future prospect is firmly tied to that of the firm. Consequently, they have no tendency to hesitate in matters of innovation. Similarly, Roe (1993), Nagarajan et al. (1995) and Aguilera et al. (2011) suggest that the majority shareholders’ stability and the long-term relationship are likely to lead to a mutual-trust relationships and long-run commitment from all partners, thus encouraging managers to invest in innovative activities. In this regard, the leaders’ management will be ensured through a logic of persistent cooperation. They all have an interest in adopting innovative strategies for the purpose of satisfying the shareholders’ interests. In this perspective, Anderson and Reeb (2003) have highlighted that ownership concentration has the advantage of promoting the benefit-seeking practices by means of innovative projects.

Subject to the shareholders’ effective control, managers would then have an incentive interest to increase the firm’s value. Should the firm performance deteriorate, shareholders can dismiss ineffective managers and elect new ones (Kaplan and Minton 2006). Similarly, Chaganti and Damanpour (2006) state that owner-controlled firms pursue a profit-maximizing behavior and would be more inclined to invest in innovation projects for the sake of high performance. Hence, shareholders detaining a block of shares would encourage and enhance the manager to adopt an innovative strategy to maximize and add more value to their equities.

The fact that the principal shareholder’s commitment in financing of innovative strategies is a necessary condition for the success of these strategies, this requires considering the legitimate reasons lying behind such a commitment. Thus, the principal’s commitment would have its explanation in the level of knowledge he possesses in respect of such projects. On exercising control, the main shareholder is able to clearly identify the characteristics of an innovation strategy (in terms of risk or generated resources’ potential). Agency problems are reduced owing to the fact that the dominant shareholders have "both an overall interest in profit maximization, and enough control power over the firm assets to have their interests being respected" (Shleifer and Vishny, 1997). In this regard, the founding shareholder simultaneously plays both financial as well as cognitive role. Similarly, with reference to Charreux (2002 b), this recognition of the shareholders’ cognitive role still has no original peculiarity, since this function has originally existed in most of the firms whose founder-entrepreneur would exercise simultaneous cognitive and financial functions, in the sense that he would contribute with a vision and skills.

3 According to the "confinement" theory of institutions, Aoki (1984) and Kochlar and David (1996) state that shareholders would be prisoners of their position, given the importance of their participation in the firm capital. The high output costs enclose them in a long-term relationship with the firm. The only option available to them is to use their voting power to control the managers for an effective management of the firm.
More explicitly, shareholders detaining more power may use their voting rights whenever they wish and oppose takeover attempts following a decline in stock prices. This confirms the fact that the control-block holders are less affected by changes in short-term results and are more interested in long-run oriented investment maximizing their long-term wealth (Hosono et al. 2004). In this regard, the shareholder is regarded not only as a financial-resource provider but also of skills and knowledge (Charreaux 2002 b; Ocasio and Joseph 2005). Thus, the power enjoyed by the major shareholder allows him to supply his contribution for the sake of improving the firm’s performance through an effective innovation policy. A firm efficiency lies then in its ability to create a sustainable value through devising growth and innovation opportunities as well as setting up strategies to reduce agency and cognitive conflicts.

To sum it up, ownership concentration turns out to positively influence the performance by relying on the detection of growth opportunities provided by the innovation activities. From this perspective, ownership concentration appears to have an indirect effect on performance through the innovation level. So, the following hypothesis can be deduced:

**H1:** Ownership concentration positively influences the firm performance through innovation level.

### 2.2 Managerial ownership, innovation and firm performance

Managerial ownership, as one of the financial participation schemes used to stimulate the managers’ efforts, is an important determinant factor of innovation and, therefore, performance.

According to Charreaux (1991), the justification for the manager’s participation in their firm’s capital can vary significantly from one company type to another. This heterogeneity can bias the relationship between equity and performance. For this reason, we find it useful to guide the analysis towards studying the impact of this heterogeneity on innovation, as an appropriate indicator of value creation.

Supporting the monetary consequences of its investment decisions, the company manager-shareholder tends to satisfy his proper interests, in consistence with those of the different stakeholders. Hansen and Hill (1991) have discovered that managerial ownership provides a motivating incentive for managers to focus on the firm long-term viability. These managers would then take decisions likely to "maintain or promote product quality and innovation through R&D expenditures" (Johnson and Greening 1999, p. 570). Murphy (1985) suggests that managerial ownership helps align the management interests with the shareholders’ by rewarding it on the basis of firm performance. Managers are then motivated to increase the firm’s value and to ensure that their behavior is consistent with the shareholders’ objectives. Such a behavior encourages innovation, positively related to the firm’s market value (Ben-Zion, 1984).

Kang and Shivdanasi (1999), Chen et al. (2003) along with Chen and Yu (2012) also notice that the convergence effect outweighs the entrenchment one. Managerial ownership appears to be an effective means of regulating the conflicts inherent in separating the ownership functions and decision-taking ones and of encouraging managers to exert further efforts to generate innovative projects and give greater importance to the market growth by taking more adequate value-creative investment decisions.

In this context, Cho (1992) and Himmelberg et al. (1999) have shown that the managers’ participation in the firm’s capital is likely to reduce agency costs and increase the innovation level. Similarly, Abdullah et al. (2002) stress that for high levels of participation, managers are more inclined to increase spending on innovation by making their financial well-being contingent with the firm’s long-term growth prospects and, therefore, with the firm performance.

The manager’s shareholding impact on innovation is also strengthened by his cognitive skills. Indeed, he detains a specific knowledge allowing him to well master the innovation-projects risk. In this sense,
the manager’s efforts pertain not only to executive-agency costs but also to cognitive ones. The cognitive knowledge of the well-trained professional manager, enjoying a solid background in management, is needed to develop innovative projects. Similarly, the managers’ long career spent in a particular company or industry enables them to enrich their knowledge about technological trends special to that industry or sector and makes them more open to investing in innovation, an undertaking necessary to take advantage of these changes (Daellenbach et al. 2002).

In this perspective, the value-creation process takes on a new dimension. Indeed, it is not exclusively restricted to a mere minimization of an agency or cognitive costs; rather, it concerns the source of value. In this perspective, the managers’ willingness to disclose information regarding innovation activities should enable to reduce imposed interest and cognitive-related conflicts stemming from the implementation of such risky investments and, consequently to promote the firm’s value.

On the whole, two major effects of managers’ shareholding on firm performance can be deduced. Firstly, a direct effect which is manifested by the reduction of agency and cognitive costs relevant to innovative-projects development, through holding the specific knowledge pertinent to improving firm performance. Secondly, an indirect effect on the firm performance produced through innovation activities, as essential components of value creation. As a result, innovation appears to have a mediating effect on the relationship between managerial ownership and firm performance. The latter will be linked to the manager’s capacity to invent, detect and devise new opportunities (Lazonick and O’Sullivan, 2000). So, the following hypothesis can be extracted:

H2: Managerial ownership positively influences the firm performance through innovation level.

2.3. Bank ownership, innovation and firm performance

Examining the bank’s contribution can be assessed its capital participation, academic training and commitment to finance such risky and long-term investment as the innovative projects.

When the proportion of bank-held shares is relatively lower than the loans they accord to firms, banks would tend to favor their proper interests as creditors. The arising relationship that binds the firm to its investors is a phenomenon that might impede the achievement of risky investments such as the innovative projects. So, banks need to increase the yield of their lent capitals and invest in short-term projects to get the most stable turn-over possible. This idea is confirmed by Grinblatt and Titman (1998) who assume that the banks’ major concern will be to ensure that the manager-taken investment decisions are targeted towards lower volatility of their cash flows.

In the case when close relationships are established between firms and banks, the latter are considered as loyal owners (Porter, 1992a) holding a large and long-term portfolio. Their portfolio concentration would allow them to follow strategies likely to promote the establishment and maintenance of long-term high-confidence relationships with a cooperative-nature tendency (Dickerson et al.1995). Consequently, managers do not have to be concerned about the market day-to-day reaction and can go on focusing on the long-term prospect. The monitoring executed by banks and their informational advantage lead the manager not to deviate to a short-term behavior and to keep on elaborating innovation strategies. In this respect, Bushee (2001) has discovered a negative relationship binding the loyal owners (banks) and the expenditure-policy reduction as regards innovative projects. According to the author, the importance of their participations prevents them from undertaking a brutal abandonment of the firm. The unique solution that remains available to owners is to engage in closer monitoring actions in a bid to protect their wealth and increase the other shareholders’ value.

Banks’ involvement in financing risky projects could be explained by the degree of their knowledge mastery with regards to these specific investments. In this sense, one can attribute the firm increased-value following banks’ presence as shareholders, not only to the latter’s effectiveness of control, but also to the importance of their enjoyed skills and expertise in improving the firm value. In this vein, Eng and Shackell (2001) consider banks’ shareholding as being an enhancement means for managers.
to invest in innovative projects in a bid to improve the firm’s future performance. In fact, the bank is appropriated a portion of the created wealth, should it be able to develop specific firm-related expertise, owing mainly to the continuous business relationship, which can in turn ensure a simultaneous control function. Indeed, the bank may provide some ideas relevant to the partnership, acquisition or cease of activity through its intermediary role. Besides, it can also help construct and maintain a specific-asset type of network. From what has been mentioned, the bank, as a partner, is involved in the development of a firm-related data base allowing it to provide special cognitive resources.

In addition, these developments lead to overtake the traditional lending-relationship representation to understand the bank-firm relationship and its contribution to the value-creation / appropriation process. Hence, the understanding the origin of the value-creation process would allow to examine the banks’ cognitive contribution. Thus, they prove to play a significant role in the firm performance. Indeed, Kor and Mahoney (2005) have noted that banks do play an effective role in the electronics sector in Taiwan. They are involved in strategic decisions and, therefore, exert a positive effect on firms’ performance. Omri (2002) has noticed that banks’ presence in the Tunisia administrative Board of Directors has a statistically significant effect on firm performance. In general, the banks’ participation in capital turns out to have a direct and, above all, indirect effect on firm performance. The indirect effect is conditioned upon the implementation of innovation strategies, major determinants of value creation. Thus, innovation seems to have a mediating effect regarding the relationship between bank ownership and firm performance.

**H3:** Bank ownership positively influences the firm performance through innovation level.

3. Empirical analysis

This section is aimed at checking whether there exists an indirect relationship between ownership structure and firm performance through the innovation process. Initially, the first sub-section is devoted to explained and explanatory variables as well as the multivariate-analysis method. The presentation and interpretation of this study’s results will be subject of the second section.

3.1. Data presentation and variables’ measurements

For each empirical study, it is necessary to take some preliminary steps pertinent to the sample composition, variables measurement, and appropriate statistical tools.

3.1.1. Data collection

In so far as the present research is concerned, our focus of attention has been laid on the problematics of the link established between ownership structure, innovation and firm performance. This study will then deal with the following points, namely:

1. the role played by the corporate-governance internal actors, particularly by owners, in implementing the innovation strategies;
2. the innovation-strategies’ influence on firm performance;
3. the innovation’s mediating effect on the relationship between ownership structure and firm performance.

For an empirical testing of these relationships, and given the variables diversity constituting our research, these variables have been collected from various essential data sources.
The database determination has been made easier with the consultation of the directory guide of the commercial and industrial firms’ available at the Industry-Promotion Agency (IPA). Data collection has been carried out by means of a questionnaire as a means of collecting information. The survey has been conducted over the years 2006/2007 among a sample of manufacturing Tunisian firms located in the areas of Greater Tunis, Sfax, Sousse, and Nabeul.

Ended questions have been used to ensure rapid data collection. Regarding the present research case, 200 firms have been contacted. However, a very strong aversion from the part of some firms has been noted in the disclosing information. This lack of collaboration has caused a limit to the sample size which has been reduced to 95 anonymous non-financial Tunisian firms (17 among them are listed on the Tunis Securities Stock Exchange and 78 are not quoted), thus representing an effective response rate of 47.5%.

A complementary information collection regarding the financial statements has also been carried out with the Tunis Securities Stock Exchange. Data concerning unlisted firms, and due to the lack of a concise database, we have been obliged to collect data necessary for the completion of our empirical analysis through a survey conducted within the firms themselves and with expert-accountants.

The following table depicts the firms which were subjects of the study sample and their sectoral affiliation.

<table>
<thead>
<tr>
<th>Activity Sector</th>
<th>Number of Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>30</td>
</tr>
<tr>
<td>Chemistry, Pharmaceutical</td>
<td>8</td>
</tr>
<tr>
<td>Mechanics and Metallurgy</td>
<td>10</td>
</tr>
<tr>
<td>Textile, Apparel, Footwear</td>
<td>12</td>
</tr>
<tr>
<td>Electrical and Electronic Appliances</td>
<td>15</td>
</tr>
<tr>
<td>Building Materials, Ceramics and Glass</td>
<td>9</td>
</tr>
<tr>
<td>Information-Technology Industries</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>95</strong></td>
</tr>
</tbody>
</table>

3.1.2. Variables’ measurements

The variable to be explained, "firm performance", is measured by the average Return On Equity (ROE = net income / equity), the average Return On Assets (ROA = earnings before interest and after tax / total assets) during three-year period (2004 - 2006).

---

4 The questionnaire does not appear in the form of a simple series of questions, but a measuring instrument to be constructed in a logical and coherent manner, while ensuring to make the interviewee feel at ease and interested (Evrard et al, 2003). Thus, the order of the questions (or the questionnaire dynamics) plays an interesting role. In fact, there is no systematically-applied method to determine the sequence of questions; still, some rules have to be respected such as accuracy, simplicity and the neutrality of questions.

5 In such a case, we are required to keep to our promise as regards the preservation of these reports’ anonymity for the sake of maintaining professional secrecy.
To measure the variable "level of innovation" ("INDINOV"), the weighting method\(^6\) has been applied. To do this, we assign to each item used the value 1 if the respondent has checked "yes" and 0 otherwise. The innovation score is calculated as follows:

\[
\text{INDINOV}_i = \sum_{j=1}^{14} I_j / n
\]

with:
- **INDINOVi**: standing for the level of innovation calculated for firm \(i\);
- **Ij**: being a binary variable that takes the value of 1 if the item is checked by the respondent and 0 in the opposite case;
- **n**: representing the total number of items used to measure the firms’ innovation level.

Regarding the ownership structure, three explanatory factors of the firm’s innovation level have been retained, namely: the ownership concentration, managerial ownership, and banks’ ownership:

- The operability of the "managerial ownership" ("PRODGT")\(^8\) variable is dichotomous in type. It takes the value 1 if the manager is the owner and holds a scientific training in the different areas of engineering or in the field of technology, and 0 otherwise (Jarbouï et al. 2009).
- Banks’ ownership is also used to examine the shareholder's financial and cognitive contributions, particularly of banks\(^9\). Thus, we use the percentage of capital held by a bank as a measure of their shareholding participation in the capital ("PROBQ" Shabou, 2003)\(^10\).

---

\(^6\) In the studies pertaining to disclosure, two score-calculating methods have been applied. The first dubbed "simple" consists in summing up for each firm the total of obtained points after reading the information medium (questionnaire in our case) and the second, called "weighting", consists in weighting the obtained scores through the highest score in the sample or through the number of items making up the relevance index.

\(^7\) Indeed, Francis and Smith (1995) suggest that firms with managerial-ownership structures have increasingly resorted to the development of external acquisition rather than to implementing internal R&D projects. Conversely, however, other studies show that family-owned firms, or those controlled by majority owners seem to be positively related to the intensity of R & D or innovation (Kurokawa et al. 2004). Munari et al. (2005) show that this relationship proves to be negative.

\(^8\) Our concern is to examine the shareholders’ financial and cognitive roles. We seek to demonstrate the importance of the managers’ participation in the capital and management running pertinent to the intangible and innovation activities. In this regard, the firm could take advantage and profits from its members in terms of financial and human resources, skills, reducing uncertainty to increase its legitimacy and achieve its collective goals (Lacetera, 2001). This leads us to consider whether the owner, who provides a financial contribution and a scientific background in the field of engineering in its various branches or technology, is also himself the one who assumes the management responsibilities. Thus, he holds the power and knowledge necessary to achieve the innovation projects successfully. Such a reasoning may help examine the shareholder’s financial and cognitive contributions in implementing and monitoring of innovation-based strategies, in consistency with our approach.

\(^9\) Several empirical studies have examined the presence of these investors in a disciplinary perspective. The major results show that bankers are more or less reluctant to finance R&D pertinent investments and, therefore, innovation (Damodaram, 1999). Nevertheless, their involvement in financing innovation-projects could be justified by the importance of knowledge they hold in the field. This highlights the importance of the cognitive and financial capital the shareholder could bring to the firm.

\(^10\) In the absence of exact information regarding the shareholders’ voting rights of, we reckon to retain the same method applied by Paquerot Alexander (2000), with a one single voting right being related to each share.
For the sake of reaching more reliable findings, we have introduced some control variables corresponding to the firm size ("LOGTA"), the activity sector ("SECT") and the firm listing ("COT").

3.1.3. Hypotheses modelling

We undertake to test the existence of a mediating effect by means of the hierarchical regressions method\(^{11}\) for the purpose of comparing the overall effect of the variables blocks. As far the check of this effect, it is achieved by constructing three models in which each ownership-structure constituent variable is treated through a specifically-pertinent model.

Baron and Kenny (1986) have proposed four conditions relevant to test a complete mediating effect of M in the context of an X-Y relationship depicted as follows:

- Condition (1): variable X should have a significant impact on variable Y.
- Condition (2): variable X should have a significant impact on M.
- Condition (3): The mediator-supposed variable M must significantly influence variable Y when the influence of the variable X on Y is controlled.
- Condition (4): The significant influence of the variable X on Y must vanish when the effect of M on Y is statistically controlled.

We, then, distinguish four stages related to three hypotheses to affirm the existence of a mediating effect of innovation: (1) the ownership structure influences significantly and positively the innovation level, (2) the innovation level influences significantly and positively the firm performance, (3) when the influence of innovation on firm performance is taken into account, the ownership structure will have no significant effect on the performance and finally, (4) the direct effect of ownership structure on performance should be null or reduced by the insertion of the mediator variable (innovation) to deduce its mediating effect within the relationship.

Econometrically, we will estimate the models one to three testing the indirect relationship between ownership concentration and firm performance. These models would enable to validate the hypothesis \(H_i (H_{i1}, H_{i2}, H_{i3}, \text{and } H_{i4})\), and their formulations are:

\[
\begin{align*}
\text{PERF}_i &= \beta_0 + \beta_1 \text{CONPRO}_i + \beta_2 \text{LOGTA}_i + \beta_3 \text{SECT}_i + \beta_4 \text{COT}_i + \varepsilon_i \\
\text{INDINOV}_i &= \beta_0 + \beta_1 \text{CONPRO}_i + \beta_2 \text{LOGTA}_i + \beta_3 \text{SECT}_i + \beta_4 \text{COT}_i + \varepsilon_i \\
\text{PERF}_i &= \beta_0 + \beta_1 \text{CONPRO}_i + \beta_2 \text{INDINOV}_i + \beta_3 \text{LOGTA}_i + \beta_4 \text{SECT}_i + \beta_5 \text{COT}_i + \varepsilon_i
\end{align*}
\]

As for the equations four to six, they would test the indirect relationship between managerial ownership and firm performance through the innovation effect. These equations would enable to validate the hypothesis \(H_2 (H_{21}, H_{22}, H_{23}, \text{and } H_{24})\) and are formulated as follows:

\[
\begin{align*}
\text{PERF}_i &= \beta_0 + \beta_1 \text{CONPRO}_i + \beta_2 \text{INDINOV}_i + \beta_3 \text{LOGTA}_i + \beta_4 \text{SECT}_i + \beta_5 \text{COT}_i + \varepsilon_i
\end{align*}
\]

\(^{11}\) In this work, the treatment of mediating variables should follow the approach as devised by Baron and Kenny (1986). This framework, which aims at testing the mediating effect, is implemented via a multiple-hierarchical regression. This analysis consists in assessing the total effect (cumulative) of the explanatory variables on a certain criterion. The method can be performed on the basis of several steps. Firstly, it undertakes to test the predictor’s effect (independent variable) firstly on the criterion (dependent variable) and, secondly, on the mediator using partial and simple regressions. Then, the other relationship has to be tested (predictor and mediator on the criterion). In this case, a multiple-hierarchical regression has to be applied. It consists in gradually introducing into the regression-equation certain independent variables: starting with the predictors and control variables (Step 1), then the mediating variable (Step 2). On reaching an increase in the adjusted \(R^2\) after inserting the mediator, one is able to assume the mediator’s effect on the relationship between the predictor and the criterion.

© Copyright by Author(s)  
June 7-10, 2015
Regarding the equations seven to nine, they should test the indirect relationship prevailing between the shareholder banks and firm performance through innovation. These equations would enable validating the hypothesis H3 (H3.1, H3.2, H3.3, and H3.4), whose formulations are:

\[
\text{PERF}_i = \beta_0 + \beta_1 \text{PRODGT}_i + \beta_2 \text{LOGTA}_i + \beta_3 \text{SECT}_i + \beta_4 \text{COT}_i + \epsilon_i
\]

\[
\text{INDINOV}_i = \beta_0 + \beta_1 \text{PRODGT}_i + \beta_2 \text{LOGTA}_i + \beta_3 \text{SECT}_i + \beta_4 \text{COT}_i + \epsilon_i
\]

\[
\text{PERF}_i = \beta_0 + \beta_1 \text{PRODGT}_i + \beta_2 \text{INDINOV}_i + \beta_3 \text{LOGTA}_i + \beta_4 \text{SECT}_i + \beta_5 \text{COT}_i + \epsilon_i
\]

with,

- \text{PERF}_i: firm i performance measured by ROA and ROE ratios,
- \text{CONPRO}: Binary variable which takes the value 1 if the largest shareholder of firm i holds more than 50% of shares, and 0 inversely,
- \text{INDINOV}: Innovation Index of firm i,
- \text{PRODGT}_i: A binary variable which takes the value 1 if the owner-manager of firm i has a training background in technology or engineering, and 0 inversely,
- \text{PROBQ}_i: A continuous variable: the percentage of capital held by institutional investors of firm i,
- \text{LOGTA}_i: The natural logarithm of total assets of firm i,
- \text{SECT}_i: A binary variable which takes the value 1 if the firm i belongs to a high-tech industry sector, and 0 inversely,
- \text{COT}_i: A binary variable which takes the value 1 if the firm i is listed, and 0 inversely,
- \beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5: Parameters to be estimated,
- \epsilon_i: The random error,
- \text{i =1,...,95}.

3.2. Results’ presentation and interpretation

This section is aimed at presenting the test results of the three hypotheses binding the proprietorship structure apprehended by the ownership concentration, managerial ownership, and banks’ shareholding to the firm performance through the innovation level.

3.2.1. Assessing the model hypotheses "ownership concentration / innovation / firm performance"

The purpose of this hypothesis is to test the mediating role of the innovation-level variable ("INDINOV") in the relationship between the ownership concentration ("CONPRO") and firm performance ("ROA" and "ROE"). To expose our hypothesis, we have estimated some distinct regression-models regarding each of the four steps of the Baron and Kenny (1986) procedure.

Model 1 (reduced model) encompasses the independent variable as well as the control variables, predicting firm performance. As for model 2 (reduced model), it seeks to explain the variation of the variable "INDINOV" (a third-step mediating variable) through the variable "CONPRO" along with some control variables. Regarding model 3 (full model), it covers all the variables: the independent variable (CONPRO), the mediating variable (INDINOV) together with the control variables (size, sector and listing) in a bid to explain the firm performance.

Based on the results of Table 2, the first condition is satisfied, as model 1 (which tests the relationship between the variable "CONPRO" and "ROA") shows a moderately weak explanatory power (adjusted \( R^2 = 0.051 \)). The overall quality of the model is significantly acceptable (\( F = 2.250, p < 10\% \)). It is likely that at least one of the explanatory variables brings a significant contribution amidst the overall fluctuations marking the Return On Assets (ROA). However, once performance is measured by "ROE", the concerned model turns out to have a weak explanatory power (adjusted \( R^2 = 0.019 \)) along
with an insignificant Fisher’s test (F=1.458; p=0.222). As for the Student tests, they reveal that the variable "CONPRO" has a positive and significant impact on performance regardless of the measure applied (for "ROA" β = 0.053, t = 2.331, p <0.05; and for "ROE" β = 0.045, t = 2.245, p <0.05). Indeed, this result does validate the sub-hypothesis (H1_1).

Concerning the purpose of the second step, it consists in demonstrating the existence of a relationship between the "CONPRO" and "INDINOV" variables. Model 2 highlights that the overall quality is statistically significant at a threshold of 5% and that the variable "CONPRO" is positively and significantly associated with the "INDINOV" pertinent to Tunisian firms (β = 0.259, t = 2.590, p <1%). Thus, the second condition of the Baron and Kenny (1986) approach is verified. These results lead to accepting the sub-hypothesis (H1_2).

### Table 2 – Hierarchical-regression results of steps 1 and 2 (Models 1-2)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Step 1</th>
<th></th>
<th></th>
<th>Step 2</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1</td>
<td>Model 2</td>
<td>Outcome:</td>
<td>Innovation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ROA</td>
<td>ROE</td>
<td>ROA</td>
<td>ROE</td>
<td></td>
</tr>
<tr>
<td>β</td>
<td>t</td>
<td>β</td>
<td>t</td>
<td>β</td>
<td>t</td>
</tr>
<tr>
<td>Control variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOGTA</td>
<td>2.803E-03</td>
<td>0.434 n.s</td>
<td>-2.045E-03</td>
<td>0.362 n.s</td>
<td>0.213</td>
</tr>
<tr>
<td>SECT</td>
<td>2.799E-03</td>
<td>1.275 n.s</td>
<td>-1.139E-02</td>
<td>0.592 n.s</td>
<td>-0.028</td>
</tr>
<tr>
<td>COT</td>
<td>7.210E-03</td>
<td>0.325 n.s</td>
<td>5.711E-02</td>
<td>0.294 n.s</td>
<td>-0.096</td>
</tr>
<tr>
<td>Predictor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CONPRO</td>
<td>5.342E-02</td>
<td>2.331**</td>
<td>4.504E-02</td>
<td>2.245**</td>
<td>0.256</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.051</td>
<td>0.019</td>
<td>0.086</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F value</td>
<td>2.250*</td>
<td>1.458 n.s</td>
<td>3.208**</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Thresholds: *** significant at 1 %, ** significant at 5 %, * significant at 10 %, n.s: non significant).

An examination of Table 3 results reveals a positive and significant relationship between the innovation level index ("INDINVT") and both of the firm-performance indicators ("ROA" and "ROE"). So, the innovative investments appear to help improve the firm’s economic and financial performance in conformity with the studies conducted by O'Sullivan (2000), Anderson and Reeb (2003), Tylecote and Ramirez (2006), and Aguilera et al. (2011).

With regards to model 3 (full model), it is checked to verify the third innovation condition mediating between the variable "CONPRO" and firm performance ("ROA" and "ROE"). The hierarchical regression-analysis results indicate that innovation (as a potential mediating variable) remains significant in explaining the dependent variable (both forms of firm performance) on considering the predictor variable. The statistical coefficient of the variable "INDINOV" has had a positive and significant value relative to the ROA (β = 0.326, p <1%) and also in respect of the ROE (β = 0.274, p <1). Based on these achieved results, the third condition proves to be, in turn, entirely fulfilled. This achievement allows supporting the sub-hypothesis (H1_3).

The ultimate condition that needs to be verified is the effect of the predictor variable ("CONPRO") on the dependent variables ("ROA" and "ROE"), which should not be significant once the potential mediator ("INDINOV") has been considered. Model 3 (full model) indicates that on monitoring the "INDINOV", that a less important but significant link persists between the "CONPRO" and "ROA" (β = 0.042, t = 1.884, p <0.1). Thus, the significance of such a relationship ("CONPRO" and "ROA") is less important than that reached throughout the first condition verifying the Baron and Kenny (1986) procedure. Similarly, model 3 also shows that the variable "CONPRO" is positively associated with the "ROE", although this relationship does not appear to be statistically significant (β = 0.031, t = 1.610, p> 10, see Table 3).
The fourth condition necessary for a variable to be considered a mediator is not entirely respected. In this case, innovation acts as a partial mediator between "ownership concentration" and "firm performance". Actually, the effect of X on Y occurs both directly and indirectly. This result leads to support the mediating-effect partial hypothesis. Thus, hypothesis (H$_{1,4}$) can be accepted and, consequently, the hypothesis H1 turns out to be valid.

According to Table 3, and regarding both measurements of performance, model 3 (full model) appears to have an interestingly-adjusted explanatory power. Thus, this full model, which takes into account the mediating effect of innovation, enable to increase the percentage of explained variance compared to Model 1. In the case where performance is measured via "ROA", adjusted R$^2$ goes from 0.051 to 0.137 and the F statistic presents a more significant value at a threshold of 1%. Similarly, when performance is measured through "ROE", adjusted R$^2$ passes from 0.019 to 0.117 and the F statistic testifies that model 3 turns out to be significant as to model 1 (a non-significant model). This increase in adjusted R$^2$ is naturally related to the consideration of the innovation level’s mediating effect. Thus, the variation in adjusted R$^2$ for both models associated with the addition of the mediating variable proves to be significant (8.86% and 10.6%). This shows that this variable appears to be an affective predictor of the dependent variable i.e. firm performance.
Table 3 - Hierarchical-regression results of steps 3 and 4 (Model 3)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Step 3</th>
<th>Step 3 &amp; Step 4 Model 3</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Outcome: Firm performance</td>
<td></td>
<td>Outcome: Firm performance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ROA</td>
<td>ROE</td>
<td>ROA</td>
<td>ROE</td>
</tr>
<tr>
<td>β</td>
<td>t</td>
<td>β</td>
<td>t</td>
<td>β</td>
</tr>
<tr>
<td>LOGTA</td>
<td>8.796E-02</td>
<td>0.100 n.s</td>
<td>-7.436E-02</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2.993E-03</td>
<td>0.486 n.s</td>
<td>-3.601E-03</td>
<td>-</td>
</tr>
<tr>
<td>SECT</td>
<td>3.795E-02</td>
<td>1.243 n.s</td>
<td>5.215E-02</td>
<td>1.439 n.s</td>
</tr>
<tr>
<td></td>
<td>2.589E-02</td>
<td>1.236 n.s</td>
<td>-2.158E-02</td>
<td>-</td>
</tr>
<tr>
<td>COT</td>
<td>-3.182E-02</td>
<td>-0.917 n.s</td>
<td>-7.836E-02</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1.822E-03</td>
<td>0.085 n.s</td>
<td>-2.339E-02</td>
<td>-</td>
</tr>
<tr>
<td>INDINOV</td>
<td>0.350</td>
<td>2.499**</td>
<td>0.470</td>
<td>2.830 ***</td>
</tr>
<tr>
<td></td>
<td>0.326</td>
<td>3.164***</td>
<td>0.274</td>
<td>3.312***</td>
</tr>
<tr>
<td>CONPRO</td>
<td>4.174E-02</td>
<td>1.884*</td>
<td>3.136E-02</td>
<td>1.610 n.s</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.051</td>
<td>0.069</td>
<td>0.137</td>
<td>0.117</td>
</tr>
<tr>
<td>F value</td>
<td>2.264 ***</td>
<td>2.755**</td>
<td>3.983***</td>
<td>3.489***</td>
</tr>
<tr>
<td>Adjusted R² variation</td>
<td>0.086</td>
<td>0.106</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Thresholds: *** significant at 1 %, ** significant at 5 %, * significant at 10 %, n.s: non significant).
It is worth noting that introducing the mediating effect "INDINOV" in the full model leads to a significant increase in its explanatory power. In this respect, it must be argued that on the basis of these attained results, the low explanatory power of the traditional governance model could love its explanation in the quasi-absence of analysis regarding the mediating effect of intermediate variables major determinants of the causal relationship between the corporate-governance mechanisms and performance.

3.2.2. Assessing the model hypotheses "managerial ownership / innovation / firm performance"

For the sake of identifying the mediating role of innovation level, Baron and Kenny (1986) affirm, as mentioned above, that four conditions need to be checked in order to test our research hypothesis. Both models: 4 (reduced model) and 5 (reduced model), contained the independent variable (manager property "PRODGT") along with the control variables while predicting the successive dependent variables, namely: firm performance (measured by ratios "ROE" and "ROA") and innovation level ("INDINOV" a third-step mediating variable). As for model 6 (full model), it includes all the variables: i.e. the independent variable ("PRODGT"), the mediating variable ("INDINOV"), the control variables (size, sector and listing) together with the dependent variable i.e. firm performance.

The first condition requires that the independent variable "PRODGT" should be linked to the dependent variable (firm performance). Indeed, it is necessary to perform a hierarchical multiple regression analysis while considering the control variables. The regression steps are presented in Table 4 below. The results reached show that the explanatory power of the "ROA" through the variable "PRODGT" is moderately weak (adjusted R² = 0.046). The model’s overall quality is statistically acceptable (F = 2144, p <10%). It likely appears that at least one of the explanatory variables would bring a significant contribution to the overall fluctuations of the firm performance. However, regarding the case in which performance is measured through "ROE", the concerned model appears to have a weak explanatory power (adjusted R² = 0.017). The model’s overall quality is insignificant (F = 1396, p = 0.242). Noteworthy, at this level, more of the control variable contained in model 4 enables to predict the Tunisian firms’ performance.

The Student tests reveal a positive relationship between the managerial property "PRODGT" and firm performance. This relationship is statistically significant at a 5 % threshold compared to the "ROA" (β = 0.053; t = 2.242; p = 0.027) and also with respect to the "ROE" (β = 0.045; t = 2.190; p = 0.031). This consolidates the fact that the manager’s property has a direct and significant impact on firm performance. Thus, the first condition is satisfied, confirming the sub-hypothesis (H2.1).

The second condition consists in highlighting a significant impact of the independent variable "PRODGT" on the mediating variable "INDINOV" considered as a dependent variable to be explained in a regression analysis of X_M (mediating variable) on X (explaining variable) in the presence of control variables. It stems from model 5 (reduced model) that this relationship is statistically significant at a threshold of 1 % (F = 5.090, see Table 4). In addition, the regression coefficient associated to the variable "PRODGT" is positive (β = 0.034) and significant at 1%. Hence, the second condition is also satisfied allowing the accepting of the sub-hypothesis (H2.2). Similarly, it is also worth noting, regarding this model, that the business sector, as a control variable, appears to significantly and negatively influence the innovation level.
Table 4 - Hierarchical-regression results of steps 1 and 2 (Models 4-5)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Step 1 Model 4</th>
<th>Step 2 Model 5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Outcome: Firm performance</td>
<td>Outcome: Innovation Index</td>
</tr>
<tr>
<td></td>
<td>ROA</td>
<td>ROE</td>
</tr>
<tr>
<td></td>
<td>β</td>
<td>T</td>
</tr>
<tr>
<td>Control variables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOGTA</td>
<td>2.676E-02</td>
<td>0.414n.s</td>
</tr>
<tr>
<td>SECT</td>
<td>2.723E-02</td>
<td>1.231n.s</td>
</tr>
<tr>
<td>COT</td>
<td>5.226E-02</td>
<td>0.234n.s</td>
</tr>
<tr>
<td>Predictor</td>
<td>PRODGT</td>
<td>5.312E-02</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.046</td>
<td>0.017</td>
</tr>
<tr>
<td>F value</td>
<td>2.144*</td>
<td>1.396 n.s</td>
</tr>
</tbody>
</table>

(Thresholds: *** significant at 1 %, ** significant at 5 %, * significant at 10 %, n.s: non significant).

For the purpose of assessing the third condition pertaining to the mediation-effect of innovation between the manager’s ownership and firm performance, we have resorted to model 6 (full model) to test this relationship. The achieved results indicate that the "INDINOV" (potential mediating variable) remains significant in explaining the dependent variable (firm performance measured by the "ROE" and "ROA" variables) after having taken the predictor-variable into account. The regression coefficient of the variable "INDINOV" has a positive and significant value relative to the "ROA" (β = 0.409; t = 3.612; p < 1%) and to the "ROE" as well (β = 0.313; t = 3.612; p < 1%, see Table 5). The third condition is in turn fulfilled, thus confirming the sub-hypothesis (H2.3).

The ultimate step relative to the approach of Baron and Kenny (1986) enables evaluation, partially or completely, of the nature of mediation by examining the significance of direct links between the independent and dependent variables. Table 5 depicted results highlight that the variable "PRODGT" - associated coefficients are by no means statistically significant whatever the performance measure applied, though they have been statistically significant over the first step of Baron and Kenny’s (1986) framework. The "PRODGT" variable regression coefficients show positive and non-significant signs in respect of the "ROA" (β = 0.034; t = 1.514; p = 0.134) and also compared to the "ROE" (β = 0.029; t = 1.439; p = 0.154). It follows that mediation through the innovation level is then complete the managerial property and firm performance. These results allow us to accept the sub-hypothesis (H2.4), and consequently, hypothesis H2 is validated.

The indirect effect of the managerial property on firm performance is reliable. Through his effect on the firm's innovation level, the manager’s property can significantly increase firm performance. Indeed, Table 5 shows that the regression model 6 (full model) presents a sufficient explanatory power with regards to both measurements of firm performance. Thus, on taking into account the innovation’s mediating-effect, this model proves to help increase the percentage of variance explained in respect of model 4. As for the case in which performance is measured by the "ROA", the adjusted R² passes from 0.046 to 0.159 and the F value proves more significant at the threshold of 1 %. Similarly, when performance is measured through the "ROE", the adjusted R² goes from 0.017 to 0.133 and the F statistic confirms that the model 6 turns out to be more significant in respect of model 4 (as a non-significant model). This increase in adjusted R² is naturally related to the consideration of the innovation level’s mediating effect. Thus, the inclusion of the mediating variable is significantly important, which highlights the fact that this variable presents an effective predictor of the dependent-variable (i.e. firm performance).
The direct effect of managerial ownership on performance is non-significant when the innovation level is introduced as a mediating variable. However, it significantly and positively affects the innovation level. These innovation activities, in turn, positively affect performance, and, as a result, the managerial ownership direct effect on firm performance decreases. Thus, one can conclude that the impact of the manager’s ownership on firm performance remains indirect due to the innovation level’s perfect mediation.

It is worth highlighting that introducing the mediating effect in the full model enables to improve the model’s overall significance. The inclusion of the mediating variable, the level of innovation, leads to a significant increase in the explanatory power of the full model in terms of adjusted R². At this level, it should be underlined that, following these results, the weak explanatory power of the governance-traditional model could be explained by the quasi absence of analysis relevant to the mediating effect of intermediary variables which are critical determinants of the causal relationship between the managerial ownership and firm performance.

3.2.3. Assessing the model hypotheses "banks ownership / innovation / firm performance

For the purpose of highlighting the innovation’s mediating role in the relationship between the banks ownership ("PROBQ") and firm performance ("ROE" and "ROA"), the approach proposed by Baron and Kenny (1986) has been undertaken and presented in the table below.
Table 5 - Hierarchical-regression results of steps 3 and 4 (Model 6)
(Thresholds: *** significant at 1 %, ** significant at 5 %, * significant at 10 %, n.s: non significant).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Outcome: Firm performance</th>
<th>Step 3</th>
<th>Step 3 &amp; Step 4</th>
<th>Model 6</th>
<th>Outcome: Firm performance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>β</td>
<td>t</td>
<td>ROA</td>
<td>β</td>
</tr>
<tr>
<td>Control variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOGTA</td>
<td></td>
<td>8.796E-02</td>
<td>0.100</td>
<td>n.s</td>
<td>-7.436E-02</td>
</tr>
<tr>
<td>SECT</td>
<td></td>
<td>3.795E-02</td>
<td>1.243</td>
<td>n.s</td>
<td>5.215E-02</td>
</tr>
<tr>
<td>COT</td>
<td></td>
<td>-3.182E-02</td>
<td>-0.917</td>
<td>n.s</td>
<td>-7.836E-02</td>
</tr>
<tr>
<td>Mediator</td>
<td>INDINO V</td>
<td>0.350</td>
<td>2.499**</td>
<td>0.470</td>
<td>2.830 ***</td>
</tr>
<tr>
<td>Predictor</td>
<td>PRODGT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R²</td>
<td></td>
<td>0.051</td>
<td>0.069</td>
<td>0.159</td>
<td>0.133</td>
</tr>
<tr>
<td>F value</td>
<td></td>
<td>2.264 ***</td>
<td>2.755**</td>
<td>4.555***</td>
<td>3.876***</td>
</tr>
<tr>
<td>Adjusted R² variation</td>
<td></td>
<td>0.113</td>
<td>0.116</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The direct effect of managerial ownership on performance is non-significant when the innovation level is introduced as a mediating variable. However, it significantly and positively affects the innovation level. These innovation activities, in turn, positively affect performance, and, as a result, the managerial ownership direct effect on firm performance decreases. Thus, one can conclude that the impact of the manager’s ownership on firm performance remains indirect due to the innovation level’s perfect mediation.

It is worth highlighting that introducing the mediating effect in the full model enables to improve the model’s overall significance. The inclusion of the mediating variable, the level of innovation, leads to a significant increase in the explanatory power of the full model in terms of adjusted $R^2$. At this level, it should be underlined that, following these results, the weak explanatory power of the governance-traditional model could be explained by the quasi absence of analysis relevant to the mediating effect of intermediary variables which are critical determinants of the causal relationship between the managerial ownership and firm performance.

3.2.3. Assessing the model hypotheses "banks ownership / innovation / firm performance"

For the purpose of highlighting the innovation’s mediating role in the relationship between the banks ownership ("PROBQ") and firm performance ("ROE" and "ROA"), the approach proposed by Baron and Kenny (1986) has been undertaken and presented in the table below.

For the sake of checking the first condition necessary for a variable to be a mediator one, we refer to Table 6 relative to the results of steps 1 and 2. It is worth noting that the Fisher test is statistically significant at 5% (adjusted $R^2 = 0.091$ and 0.057 for "ROA" and "ROE", respectively). These results prove that at least one of the explanatory variables makes a significant contribution to the overall set of fluctuations pertinent to firm performance (i.e. at least one of the parameters ($\beta$) is significantly different from zero) yet, according to the Student tests, the independent variable "PROBQ" is not explanatory for the variation of the variable "firm performance" (for "ROA", $\beta = 0.071$ and $p > 10$ and "ROE" $\beta = 0.092$ and $p > 10$, see table 6). Nevertheless, firm size, as a control variable, proves to have a negative and significant effect on firm performance. This can be explained by the banks’ doubt with regards to large firms which have the means and resources to manipulate their results, according to their interests. The two remaining control variables are not statistically significant in explaining firm performance. For this reason, the first condition of the undertaken approach proposed by Baron and Kenny (1986) remains unsatisfied.

This result tends to suggest that the innovation level is not a mediating variable that stands between the banks’ capital participation and firm performance. Indeed, the mediation hypothesis is totally rejected. Thus, the sub-hypotheses ($H_{3.1}$, $H_{3.3}$, and $H_{3.4}$) are rejected. Still, the banks’ ownership has a significant effect on the firm’s innovative policy (the Fisher value (5.045) is significant at a 1% threshold and the Student test ($\beta = 0.316$) is significant at 5%). The second condition seems to be verified, thus confirming the sub-hypothesis ($H_{3.2}$).

To sum it up, the test results pertinent to this relationship prove that the "PROBQ" has no significant effect on firm performance, contradicting a mediating relationship between the three variables, namely: the banks’ ownership, innovation and firm performance. As a result, the hypothesis H3 has not been validated.
Table 6 - Hierarchical-regression results of steps 1 and 2 (Model 7-8)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Step 1 Model 7</th>
<th>Step 2 Model 8</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Outcome: Firm performance</td>
<td>Outcome: Innovation Index</td>
</tr>
<tr>
<td></td>
<td>ROA</td>
<td>ROE</td>
</tr>
<tr>
<td><strong>Control variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOGTA</td>
<td>$-7.908E-02$</td>
<td>$-3.179$*</td>
</tr>
<tr>
<td>SECT</td>
<td>$-8.232E-02$</td>
<td>$-0.942$ n.s</td>
</tr>
<tr>
<td>COT</td>
<td>$6.982E-02$</td>
<td>$0.703$ n.s</td>
</tr>
<tr>
<td><strong>Predictor</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROBQ</td>
<td>$-0.216$</td>
<td>$-0.721$ n.s</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>$0.091$</td>
<td>$0.057$</td>
</tr>
<tr>
<td>F value</td>
<td>$3.349$**</td>
<td>$2.424$**</td>
</tr>
</tbody>
</table>

(Thresholds: *** significant at 1 %, ** significant at 5 %, * significant at 10 %, n.s: non significant).

In general, the present study achieved results prove to have important implications regarding both the theoretical as well as practical levels. On the one hand, our research provides a further contribution to the existing knowledge by proposing an integrative model which allows measuring the simultaneous effect of the ownership structure on innovation and performance. Mediating-variable modelling regarding the current corporate-governance related research has not been developed, yet. Nevertheless, this study provides an initial early-stage response to both conceptual and methodological levels.

In addition, our results demonstrate that firms prove to have interesting motives and benefits leading them to invest in innovative activities, enhanced by the desire to significantly increase their shareholding along with overall profitability and turn over. Moreover, if one is to focus on the individual effects of governance mechanisms, our results suggest that firms would take advantage in attaching great importance to the ownership concentration and manager shareholding. In fact, two variables seem to be positively and significantly associated with firm performance through the innovation level. The innovation mediating effect though partial has been demonstrated and proven for these variables. Similarly, this study provides a further contribution to the relevant literature, given the fact that, so far, it is only the shareholder’s financial contribution that has exclusively been considered, overlooking its cognitive contribution.

**Conclusion**

The limited explanatory power of the proposed financial-model of governance has led to the exploration of other complementary approaches, namely, the cognitive trend of corporate governance. This choice is justified by the ascension of intangible assets in the value creation process. The relationship modelling between the three concepts, namely "ownership structure, innovation, and performance", can be summarized as follows. Given the fact that innovation that could act as a mediating variable for a particular ownership-structure pertinent variable and not for another, the assessing such a mediating effect has been achieved by the development of a three-model framework in accordance with the number of ownership variables used in this study.

Noteworthy, several empirical studies highlighted that ownership structure is more or less linked to firm performance (O'Sullivan 2000; Eng and Shackell 2001; Abdullah et al. 2002; Anderson and Reeb 2003;
Tylecote and Ramirez 2006; Aguilera et al. 2011). However, a common feature among these studies lies in the fact that most of them tend to focus on the direct association between ownership structure and firm performance while overlooking other intermediary-mediating factors that may prove to be relevant to understand the pertinent causal relationship. A prospectively fruitful research line seems imposed, which consists in extending the investigation perspective so as to include a cognitive approach to corporate governance whereby a mediating-variable modelling framework could be adopted, namely via the innovation level. It is likely that the latter would exert a mediating effect on the relationship governing ownership structure and firm performance. Hence, such an indirect effect could be demonstrated through evaluating the innovation’s potential-mediating effect.

In this regard, our results indicate that only the variables "ownership-concentration" and "managerial ownership" turns out to be exclusively relevant in determining the mediating effect on the basis of the Baron and Kenney (1986) devised methodology. Indeed, taking into account the mediating variable, innovation level proves to significantly improve the explanatory power of both models pertaining to the "ownership concentration / innovation / performance" and to "managerial ownership / innovation / performance". It follows that the impact of the variables "ownership concentration" and "managerial ownership" on firm performance appears to be simultaneously direct and indirect. Actually, the impact turns out to be indirect through the quasi-total mediation of the "innovation-level" variable. It is likely that the shareholder’s financial and cognitive contributions along with the managerial ownership do play a major role in explaining the innovation level. On one hand, the main shareholder’s engagement constitutes a profitable advantage for the development of internal-innovation projects. On the other hand, the shareholder-manager’s training allows the improvement of the firm’s innovation potential thanks to his acquired knowledge and information, relevant factors necessary for developing such projects; this factor has been empirically validated with regards to the Tunisian context. Noteworthy, however, the innovation’s mediating-effect has not been well demonstrated with respect to the banks’ ownership and firm performance. The bank’s presence in the capital turns out to have no significant effect on the firm’s innovation policy and, consequently on its performance. This can be explained by the fact that the Tunisian bank plays a monitoring role rather than a knowledge and skill-transfer one.

Noteworthy, however, although this research provides further contributions to the understanding of the major innovation and performance determinants, it still displays some limits and leaves many questions unanswered as regards the issue of investment, as it is the case with the entirely other exploratory studies relevant to this field. In addition to the already-investigated ownership structure, the model should incorporate other internal as well as external control mechanisms likely to lead to a potential theoretical and empirical improvement of the model for a more thoroughly complete representation of reality.
References


Analysis of the New Foreign Politics of Russia: Its Status and Role in the International Arena

Zhamilya Kaparova, Nazarbayev University, Kazakhstan

Analysis of the new foreign politics of Russia: its status and role in the international arena Russia is a country who in the past was one of the significant powers in the bipolar world. It has been more than twenty years since as the Soviet Union collapsed, almost the same period after the Soviet troops left Afghanistan and the Berlin Wall fell. Russia as a major part of the strong empire failed in the Cold War, since it was broken up. Initially, when the USSR broke down, the Russian economy shrank almost by half; the political situation was tough, since there was instability between relations of the executive and the legislature. Previously, the Soviet Union provided people with the good basic condition of life, high level of employability and distribution of the social safety nets. Those conditions were not similar to the Yeltsin period and resulted in unstable policy, the population recognized how corruptive and non-transparent the system was. With the coming of the new president, Vladimir Putin, marketization reforms and the rise of energy prices helped to sustain growth. Also, during his first term he mostly concentrated on the social and economic issues, achieved some influence in foreign policy and importance of the executive branch.\textsuperscript{12} Russian Federation is a revisionist power since it acts according to the methods of a revisionist state and then I will explain why the Russian federation is a part of instability, but not the single source of it and that the Second Cold War could be avoided by cooperation between them. All of this argument will be supported from the examples of US and Russia relations, Russian relations with NATO and other Former Soviet Countries.

Russia is a revisionist state and it uses the methods of revisionist power. One of the key features of the revisionist state is the enlargement of the territory by annexing and invading space, which is not the most important for great-competitors. Usually, it uses some diplomatic arguments in order to explain its action of invasion, for example, the revisionist state could say that it seeks to defend the interests of the ethnicity outside its borders. It wants to be in charge of the ‘games’ and have a great influence on neighboring countries.\textsuperscript{13} As it was said previously, during the 1990s Russia lost it status of strong power. There was a great dissatisfaction in the minds of people, during the Soviet era they were proud of being Soviet people and then, when it collapsed they lost all of it. And now, Russians also want to repeat their highest peak of global influence as it was during the USSR existence. Russian elite wants to create their own type of governance, that is not similar to Western and to show to the world that they are better off without a Western model of democracy. The current president, Vladimir Putin said that the breakdown of the USSR was a catastrophic disaster.\textsuperscript{14} Moreover, in one of his interview Putin claimed that it is not Russia who is located between the West and the East, it is the West and the East, who are standing on both sides of Russia.\textsuperscript{15} Recent years, Putin’s popularity skyrocketed due to the strong influence of mass-media and national aspirations. People still want to be proud of its great power and want to rewrite their superpower status.

\textsuperscript{12} Trenin, Dmitri. "Russia reborn: reimagining Moscow's foreign policy." Foreign Affairs (2009): 64-78.
\textsuperscript{13} Thomas Wright, “China and Russia vs. America: Great-Power Revisionism Is Back”, April 27, 2015
\textsuperscript{15} Leon Neyfakh, “Putin’s long game? Meet the Eurasian Union”, March 9, 2014
When we make a closer look to the West and Russia relations, we can see that Russia is still wants to revise the bipolar world and high status on the international arena. Russia sees the American unipolarism as a threat and US views Russia as 20th century thinker. After the Cold War ended, US thought that Russia will adhere to the Western-style policy, but Russia was not going to implement democratic approach instead it wanted co-chairmanship. Moscow did not want to play a game dictated by the West, namely by the United States. When the terrorist attack happened on the September 11, Russia was first to speak with Bush about cooperation in combatting the terrorism. Both of them started to collaborate on the post-Soviet problematic issues and despite the fact that Russia was resistant toward creation of military bases in Central Asian countries it was inevitable. It occurred since Russia saw more gains in uniting in “in the war on terror and hoped to achieve its goal in international politics. In contrast, the United States pushed Russia toward the development of domestic reforms and it was only willing to have relations with Russia about the region of the Commonwealth of Independent States’.US sees Russia as only regional power so it did not want to see it as the international leader. It could be noticed that Russia wanted to return to the bipolar or create multipolar hegemony by willing to cooperate and simultaneously convince others to follow Russian rules. However, the West ignored the Russian ambitions due to its weak domestic situation and not satisfying the Western standards of liberal state.

Russia as a revisionist state focuses mostly on the influence over neighboring countries. The Russian foreign policy is mostly concentrates on the post-Soviet countries, most of which are belong to the Commonwealth of Independent States. CIS became a high priority of Russian multivectoral foreign policy. Earlier, Russia was objected to align with the US on common global problems as terrorist attacks and to be recognized as a great power by them. However, Western countries see Russia as an only regional superpower, and then Moscow redefined its foreign policy. Russia is objected to be confirmed in the political reliability of the CIS countries, especially Central Asian, by using energy sources as a weapon to play with. Central Asia remains to be the region of interest due to its geostrategic location, trade and cultural opportunities. Russian big company Lukoil is manipulating the major Kazakhstani pipeline and controls the essential amount of onshore and offshore projects in the Caspian Sea. In the Uzbekistan, Russian companies are highly engaged in the production of gas and comprise more than twenty percent of the country’s gas production. Moreover, in order to ensure its loyalty in this region, Russia created several types of unions as the Custom Union and the Eurasian Development Bank. Russia began to expand its influence on the former Soviet countries, especially after the Ukrainian crisis. Putin with the main players as Belarus and Kazakhstan joined into the economic union called the Eurasian Union. Some experts claim that behind the economic cooperation, there is a possibility of using this union as a main geopolitical key in the arms of Putin. In my opinion, even if this assumption is mistaken due to other members are not willing to pull out their sovereignty, Russia as the biggest player is having much influence on policies of these countries. Moreover, it is tending to dominate and dictate some choices in the trade sector, for instance, as it was trying to restrict the trade between Kazakhstan and Belarus with Ukraine. In part with this, Moscow intensified its aid to the least-developed countries of CA. For instance, Kyrgyzstan received from Russia about $25 million. So, we can see that Russia has a great interest towards its former-Soviet and border counties.

Annexing one part of the land or invade sovereign country is a method of revisionist power, which Russia also uses. The Crimean crisis also gives us a good example, when the state annexes the region, which is not on the top priority of the superpowers. By defending Crimean peninsula using force the West could lose much than gain. These characteristics are in consistency with the features of revisionist state: Russia

18 Leon Neyfakh ,“Putin’s long game? Meet the Eurasian Union”, March 9, 2014
wants to revise its essential role in the world, relates to Western political approach with skepticism and have a desire to force others to act according to Russian’s own policy. Its politics toward neighboring countries, exactly FSU states, could also reflect the features of revisionism, when it ignores the border state’s own interests and policy.

The Russian Federation is one of the sources of instability in the international order, however the West and NATO alliance are also part of the insecurity. Usually mistrust and different goals between Russia and the West resulted in negative consequences in the international order. The real NATO-Russia relations were seen during the Kosovo war, where the huge amount of people died and left without shelter. According to the “Founding Act in May 1997” two sides agreed on peaceful ways in order to resolve disputes and not even try to establish a nuclear weapons station in the new countries. When the NATO intervened and bombed Serbia, for the Russians it was the sign about NATO as an aggressive union. It became viewed as an organization which was not going to cooperate and to follow UN mandate. 

The Kosovo crisis was regarded for the Russian Federation as a threat to instability in terms of igniting separatist groups and a classical example for NATO to interfere in other conflicts in the post-Soviet space. Thereafter, Russia changed it nuclear weapon tactical development and focused on close military connections with CIS. NATO expansion always was considered in Russia as a threat for its raising in the transnational arena. NATO began its enlargement in 1999 and declared Georgia’s and Ukraine’s future membership. The Russian Federation as a superpower in the past is sensitive to any expansion toward its border. The Georgian government, which is always show its pro-Western policy and desire to join NATO, experienced Putin’s warnings towards NATO’s expansionism toward the east. When the Georgians started to reincorporate Abkhasia and South Osetia, Russia took over these two separatist regions. It might be the pleasure for Russia to have a chance to act as it claimed. Also, it was a sign for the West: not to expand, however, the West went further and it involved in the creation of crisis in the Ukraine. When the maidan happened, US ambassadors helped to choose the pro-Western politician to the position of the prime minister. In response to this situation, Putin annexed crime in order to prevent Black Sea Fleet and restrict further NATO’s enlargement. The inability of the West to understand Russian policy and ignorance of its strategic interest lead to this crisis. Russia violated the international law by invasion to the sovereign country and it could explain its action. It is not going to follow it if such organization as NATO violate international law and US’s ignorance of UN treaty in their two decade military actions. As I said before mistrust and the unwillingness to resolve problems are the main causes of the crises in the world. Russia’s unpredictability, high ambitions which are not supported by strong domestic conditions and American exceptionalism are the sources of the international disorder.

The New Cold War could be avoided if both sides would be willing to cooperate on global issues, like terrorism, and cooperation on the Ukrainian issue. As the Ukrainian crisis showed the lowest point of the West-Russia relations, the resolution of it will result in escaping the possibility of the new Cold War. Firstly, both sides should recognize lessons during the Cold War. Mistrust and misperceptions were the main causes of weak relations, for example, NATO expansion and EU missile defense system were considered by Moscow as a direct threat. From the original Cold War both sides should understand that actions from each side are lead to the critical situation, there is no only side who is guilty. For instance, in the Ukrainian crisis fast decision about new presidential elections was done by the West, while Russia used this opportunity for its own superpower’s goals. The crisis in Ukraine was fostered by the Russian

unwillingness to recognize, as it is a revisionist state, that former-Soviet countries could have their own path of policy. The American government is blind to the Russian security threat and misunderstands that even sanctions will not make the Russia to alter its decision. In contrast, it will promote further aggression toward the West. The Ukrainian government`s mismanagement and flirting with West and Russia brought to such situation. The state, which situates between two big players should manner more carefully.

Although the Russian Federation has no state ideology, the measures toward Ukraine, particularly Crimea, should be implemented in order to prevent the further possibility of the New Cold War. In order to reach the goal of the stability in Ukraine US and Russia should agree on a free referendum in Crimea. If the population chooses one of the sides, both of them should accept it. Moreover, Ukraine should become as a buffer state and not select the pro-Western or pro-Russian state. NATO and other security councils could make the difference in these issues. NATO should limit its expansionism and mostly focus on the regions of its first priority, radical terrorism. Other councils as UN council and OSCE should be more engaged in this region. In addition to this, both sides should clearly understand what they may lose if would be involved in the Second Cold War. West and Russia should take into consideration the country, China, with its growing economy and big population. With the Chinese rapid growth US could lose the worldwide influence, while Russia could miss its Central Asian region. They also should collaborate in order to prevent the radical-Islam terrorist growth. The West and Russia were one of the targets for the terrorist` groups, so they need to find this problem as a common one. Russia will also lose significantly in terms of its domestic stability, now, it need to be more focused on modernizing its economy, technology and institutions.

To sum up all of this, I could say that Russia with its revisionist strategies; like the annexation of the peninsula, willingness to dictate the rules and dominate the border countries, is the one of the sources of instability in the international order. Now, its main region of interest is FSU countries, namely those who are in the CIS. This should not be ignored by the NATO and West, they should understand and were warned that any enlargement toward Russian borders would mean as a threat to Russia. Russian`s nationalism or high ambitions and US unwillingness to cooperate create instability in the world affairs. So, the New Cold War could be avoided by combatting the common problems and respecting to the both side`s interest.

Reference list:
8. Wright, Thomas."China and Russia vs. America: Great-Power Revisionism Is Back”.

23 Legvold, Robert. "Managing the New Cold War." Foreign Affairs 93, no. 4 (2014):..
The Effectiveness of Education Using the Health Belief Model in Preventing Osteoporosis among Girl Students

Hormoz Sanaii Nasab, Baqiyatallah University of Medical Sciences
Ali Akbar Karimi, Baqiyatallah University of Medical Sciences
Reza Tavakoli, Baqiyatallah University of Medical Sciences

Abstract

Background: Osteoporosis is a multi-factorial chronic disease associated with heart disease; stroke, diabetes and cancer are the main problems of human society. Healthy life style, knowledge and correct health beliefs can effective on preventive behaviors in osteoporosis disease. Therefore this study determined the impact of educational using health belief model in preventing osteoporosis among girl students was conducted.

Methods: This interventional study (quasi-experimental) was performed on 45 adolescent girls ages 15-16 years old one town of Tehran (located in one zone). The adolescent girls participated 3 weak educational program (each session 60 minutes) based on health belief model. The data collection instrument was a validated and reliable questionnaire in 6 sections: demographic, health belief model constructs, physical activity and consumption of food containing calcium that was used before and one month after intervention. Data using descriptive statistics (frequency, mean, standard deviation) and inferential (t-paired) were analyzed.

Results: The result showed that the mean scores between students knowledge before and after the educational intervention there was significant difference (p<0.05). Also on the mean scores of health belief model structures (perceived susceptibility, perceived barriers of physical activity, self-efficacy of calcium, self-efficacy of physical activity) before and after the intervention, significant differences were seen (p<0.05). Regarding the use of osteoporosis preventive behaviors in physical activity levels of students before and after intervention there was a significant difference but calcium intake before and after intervention was not significantly different (p<0.05).

Conclusion: As regards on the mean scores of health belief model structures and self-efficacy of physical activity before and after the intervention, significant differences were seen. However, calcium intake has not increased. It is suggested that educational interventions on parents, especially mothers of these teenagers do.

Key words: Education, Health belief model, Osteoporosis, Girl students.
Concepts of Man and Happiness in the Classical Philosophy

Hojjatollah Raftari, Khoramabad Branch, Islamic Azad University, Iran
Yadollah Maleki, Khoramabad Branch, Islamic Azad University, Iran

Abstract

Concepts of man and his happiness are the main concerns of ethics, philosophy, theology and many other branches of humanities. Different classical thinkers have defined man differently, and their definitions of man’s happiness are, therefore, varigated. Man is looking for happiness although he doesn’t know what it is. The present essay deals with the opinions of classical thinkers on man and his happiness, and in particular, it discusses the viewpoints of Aristotle as a Western classical philosopher, and those of Mullah Sadra as a well-known Muslim philosopher. Components of happiness according to these celebrated history-making theoreticians have been concisely analyzed. Moreover, the present essay discusses the following questions: What is man’s happiness? Is it real? Is it something belonging to this world, or is it a Hereafter concept? Is it natural, or else, artificial? Is it innate, or else, acquired?

Keywords: Man, Happiness, Islam, Aristotle, Mullah Sadra

Introduction

What is man? What is happiness? What is it that philosophers, theoreticians, theologians, ethicists, and others set out to analyze? The question is a particularly difficult one since, as we shall see later in this essay, different thinkers have defined man and his happiness differently. However, the monotheistic religions give a lofty status to man. According to Zoroastrianism, man is a creature created by Goodness. Therefore, he has been shaped into a good creature by the hands of his creator. He has been vested with freedom and power of choosing. He is able to choose any path he desires.

In Judaism and Christianity, man is a creature that can choose between good and evil. He may decide to be godly or ungodly, and his salvation depends on this freedom.

Man is a special creature that God created by His own hands. “And Jehovah God formed man of the dust of the ground, and breathed into his nostrils the breath of life; and man became a living soul” [1] (Genesis 2: 7). Although he is not as great as God, man has dominion over other creatures. “Thou makest him to have dominion over the works of Thy hand; Thou hast put all things under his feet.” [1] (Psalms 8:6)

According to Judaism and Christianity, in short, man has the capacity to attain the highest station of living, although he has also the capacity of injustice and abomination. [1] (Proverbs 29: 22 ff)

As for the Greeks, although Professor Bruno Snell concludes that ancient Greeks possessed no conscious idea of a unified human self as there is no word for such a concept in their writings [2], Socrates was interested in man’s virtues and his happiness, and Aristotle says that Socrates focused on ethical matters and ethical virtues [3].

The Holy Koran, to be sure, gives us contradictory definitions of man, indicating that man is potentially angelic, godly, and at the same time, ungodly, and ungrateful. This shows that man has the power to choose between good and evil. If he serves God out of devotion, he can find happiness.
God honors man and prefers him to His other creations [4] (Sura 17: Verse 70). However, if man serves Satan, God’s archenemy, he shall be away from happiness. [4] (Sura 36: Verse 60, 61, and 62)

Among the sophists, Protagoras believed that man is the criterion or the standard for everything: He is the standard for the things that exist, and the standard for the things that do not exist; For Plato, the soul is the most valuable possession of man. In his prayers, Plato says, O my beloved God, let me experience the inward beauty [5]. According to Plato, the highest good, or happiness, of man includes the knowledge of God. However, happiness should be obtained through the pursuit of virtue, which is possible only if man tries to become similar to God.

To this end, we should become similar to God, as far as possible. It means that we should become just and honest through the assistance of wisdom. Anyone who desires to be loved by God, he should become similar to Him, as far as possible. Plato’s ideal man is the person who seeks the entire wisdom since wisdom comes from the Heaven, and therefore, it never loses its strength. According to Aristotle, however, man's happiness comes from his thinking, and from his ideas. Copplestone reports that Aristotle gives various arguments that the highest happiness is the thinking, and that reason is man's greatest faculty, and that meditation is the greatest activity of the mind, and that happiness depends on the employment of the mind [6]. In other words, only through the application of the mind in the noblest issues can man find his happiness. To Aristotle, therefore, the highest mode of knowledge is God.

Therefore, man has got a high status in the Greek philosophy. According to the Greek philosophers, and specifically according to Aristotle, man's status is high, and his station is defined in terms of his meditation on God. Aristotle considers happiness as something related to the inner states of thought, or the spirit. Moreover, Aristotle considers virtue as something leading to the achievement of balance. In other words, he considers virtue as a mediator for the creation of equilibrium among different aspects of human behavior and living.

**Man according to Islam**

Muslim philosophers define life on the basis of the Koran. They resort to the holy book to see whether the life is meaningful, goal-oriented, or else, futile, `...What, did you think that We created you only for sport, ..'[4] (Sura 23 : 115 )This rhetorical question in the Holy Koran states that God's deeds are wisely devised and that His actions are goal-oriented, and meaningful. Farabi believes that society is necessary for the perfection. He is, therefore, under the influence of Plato and Aristotle. The ultimate goal towards which Farabi is walking is, indeed, the achievement of happiness. In his book, The Acquisition of Happiness, Farabi lists four components of prosperity in this world and in the Hereafter, as follows: 1.Theoretical virtues 2. Virtues of thought 3. Ethical virtues 4. Practical Device [7]. Elsewhere, he says that the main goal of ethics is the acquisition of happiness. For him, the ultimate perfection is the good, and that happiness is the highest good. The more man tries to reach the good, the more he gains happiness [8].

In Chapter 22 of The Fosus, Farabi says that the owner of self is the human character, and that it is a faculty by which he perceives, understands, and utters the words from the universe of Amr, a word with various meanings such as command, thing, abstract, and existence, among others. He then adds that man consists of two essences:

One essence from the world of creation, which is the world of tangibles, and one essence from the world of Amr, which is the world of reasonables, since your spirit comes from the command [i.e.the Amr] of your Lord, and your body comes from the creation of your Lord.
In terms of transcendental experience, Farabi believes that man deserves the status of soul at peace and the Holy Faculty, when the soul at peace is capable of access to the Truth and the knowledge of Almighty. Once man reaches this station, he will behold the truth in everything. At this spiritual perfection, man gains access to the Holy faculty, and he becomes worthy of prophethood. Then, he beholds God's New Angels, and he is able to hear God's word [9].

Another Muslim thinker, Avicenna believes in the process of perfection for creatures and in the ascending arc from inanimates to vegetables and animates and Jinn and humans in the form of an evolutionary process. He believes that man is located on the last point of life perfection in the material world, who possesses every accomplishment found among the lower creatures, in addition to a thinking faculty, or as he terms it, a thinking soul when the thinking soul comes to existence in him, and after the serene temperament is added to the soul, the Holy spirit, or as he terms it, the Pure Reason, comes to existence. Then, man goes the path of evolution again in order to make the soul more transparent. At this stage, forms of knowledge separate from the Active Mind, creating a degree of perfection experienced by Elders and prophets without a message from God.

After this stage, as his perfection increases, man reaches the station of Active Mind, and he receives messages from God. If man transcends in the station of messengers, he will reach the station of Pure Angels and Active Minds. In the station of Pure Minds, there are, of course, different degrees. These degrees can be materialized for man, ranging from mere materiality to pure spirituality. Any person may attain one of the degrees of humanity, depending on his capability and aspiration, or depending on a Favor from God [10].

Mullah Sadra defines true happiness as the union of the communicating soul with the common sense. He believes that the intellectual happiness and the spiritual pleasure on the basis of Hereafter are the most transcendental pleasures. In terms of ontology, and in the universe of being, the status of man experiences a descending and an ascending curve in the system of creation. In order to explain this, Mullah Sadra says that the Bounty from God the Almighty is sent down first to the world of Reason, and then, to the world of Ideas, and then, to the world of Nature, and that the evolutionary movement leads from the world of Nature to the world of Ideas, and from the world of Ideas to the world of Reason.

According to Mullah Sadra, man is at the top of the world of Amr, because the countenance of man consists of the final degree of perfection in the carnal universe and the first degree of the spiritual metaphysical universe. Mullah Sadra, in a different context, says that the human soul experiences an herbal degree of existential perfection while it is in the mother womb, because the embryo is potentially herbal and actually animal. When it is born, the soul is promoted to the degree of an animal. When it reaches the stage of puberty, the soul of man perceives the objects with its thoughts. With his practical reason, man performs actions before he reaches the spiritual puberty. At this stage, the moral behavior is internalized. This stage is experienced, more often than not, at the age of forty. At this stage, humans are actually sensual and potentially angelic, or else, demonic. Man's value status is determined at this stage. In his book, The Asfar, Mullah Sadra outlines the evolutionary trend of perfection for the existence from the inanimates to the humans, saying that vegetables have got a superfluous state when they are compared to inanimates. The vegetables, in turn, have different degrees, such plants as olives or palm trees being similar to animals in terms of their ways of living, for example, in their manner of production and reproduction of fruits and in their manner of survival, coming down to the lowest degree of animals such as insects or flies; Animals, in turn, are composed of different degrees: the highest degrees belong to the primates that imitate many actions of man. This is the ultimate status for the animalistic perfection, and the beginning of human movement, a horizon indicating the vestiges of reason and discrimination and the use of tools. The hierarchy ends in humanity.
At this stage, the movement culminates in the acquisition of knowledge, because some faculties, some internalizations, and some Divine Favors have been given to man, enabling him to go through the human virtues.

This is man's philosophical station. Now, if man tries to acquire human virtues and the intellectual erudition, he will have the transcendental experience; here, he can hope to enter the world of Angels, or even the Near-stationed Angels. This is the highest status of man as a human, or in the nature of a human. When man achieves this virtue of perfection, thereby reaching the highest station of humanity, the Divine Light will shine on him, and he will become a Divine Sage receiving the Lord's inspirations; In other words, he will become a prophet who receives God's revelations. Then, he will be the mediator between the people of heaven and the people of earth [11].

**Man and his happiness according to non-religious viewpoints**

Some philosophers have presented a hedonistic interpretation, and some others have interpreted man’s happiness in terms of internal virtues. Hedonists believe that happiness, the desirable good, is experienced through the sensual pleasures including joy, craving, carelessness, etc, since they are the components of happiness. Pre-Aristotelian philosophers believe that happiness can only be found in the perfection of soul. They maintain that happiness is the realization of such virtues as wisdom, courage, chastity, justice, and so forth, within the soul [12].

Aristotle considers happiness as the virtuous living, or as the activities in accordance with virtues, or in accordance with the highest virtue, i.e, the theoretical wisdom [13]. In the field of ethics, Aristotle is extremely teleological. He believes that each action of man is, indeed, a step in the direction of a single purpose. This purpose is the ultimate good, and the highest good, or rather, the very good itself. In other words, happiness is good in nature, and that it is innately good. Humans have been created in a way that they seek happiness. Aristotle also says that happiness, as the final goal, has two characteristics: First, it is innately perfect and impeccable. Second, it is unique and for itself. It is sought not for anything else, since it is reasonable to seek a thing for the sake of happiness, and to seek happiness for the sake of itself, we must have the rationale for the belief that there is no good thing than happiness; otherwise, why shouldn’t another good be the ultimate purpose, besides happiness? [14]

Aristotle gives a criterion by which happiness can be understood. He explains that if something, say X, is good, and we call it happiness, but later, we learn that there is something else, say Y, which is also good in a way that X +Y is better than X, it will be clear that X is not the happiness[15]. This criterion for happiness does not specify the nature and the type of life that brings about happiness. Aristotle takes happiness as the virtuous life or as the activities in accordance with virtues or as the greatest virtue, i.e, the theoretical wisdom [16].

In many respects, Muslim philosophers’ interpretations of happiness are consistent with Aristotle’s interpretation, although there are differences in their analyses of happiness, which stem from religious influence.

Due to the relationship between happiness and the spiritual transcendence, philosophers usually try to first explicate the spirit, or soul, and its capabilities. In order to understand happiness, it is necessary to understand the soul, and thereby the mankind, so that the key to happiness, or prosperity, as Muslims call it, can be understood, since the soul is indeed the key to happiness, and the means by which man is able to acquire virtues, and since it is the internalized reservoir of human higher values [17].
Aristotle maintains that there are two kinds of virtue: rational virtues and moral virtues. Rational virtues include practical wisdom or reason, and moral virtues include justice, freedom, bravery, courage, and so forth. They need to be guided by the practical reason. He concludes that happiness is a durable or permanent action in accordance with both moral and rational virtues. Accordingly, the virtue lies somewhere between these two extremes.

Aristotle holds that pleasure is not the ultimate purpose, i.e., happiness. He explains that pleasure functions as a prerequisite to happiness. He reminds us that a prerequisite to something is not the same as the thing itself. The value of pleasure depends on the practical value of pleasure, and not every pleasure causes a single feeling. Each pleasure evokes a specific feeling. Aristotle believes that some pleasures are evil, which bring about evil. A life on the basis of pleasures, in which reason does not play a leading role, is not appropriate for a reasonable creature [18].

**Definition of happiness**

In order to define happiness, we have to first understand life since happiness is a function of life... Ethical systems can fall into two main categories: 1. Ethical systems focusing on this world 2. Ethical systems focusing on the Hereafter. In other words, there are two distinct ethical systems: earthly systems, and heavenly systems. The first systems focus on happiness, and life in this world, and the second systems see the present life as a preamble to the life hereafter. According to the Earthly ethics, which emerged when Bacon and Descartes presented their ideas in the modern era, happiness in this world is the goal [19].

Concerning the nature of happiness, Aristotle says that every science, or rather, every knowledge focuses on a sort of utility, or goodness. Goodness is the purpose or goal of every action. Now, there are different actions, and hence different goals. Since some actions are subordinate to some others, and since some actions include some others, the purposes of actions are overlapping. Therefore, there is a range of purposes and goals which go on endlessly. For this reason, man's actions will be in vain. Therefore, this range has to end in a certain purpose, which is man's highest good. Man's highest good, as the highest purpose, is the theme of politics, because the science of politics focuses on man’s highest good, as the true happiness [20].

Concerning the union of ethics and politics, as a single science responsible for studying the nature of happiness, Aristotle maintains that every mode of knowledge as a rational action or movement focuses on life, and that ethics and politics are no exceptions. Ethics and politics are the same. However, it is called ethics when it focuses on the good of individuals, and it is called politics when it focuses on the good of society. The good which is studied by this union, i.e. the highest good, is happiness. Concerning what happiness is, and what man must do in order to prosper, Aristotle inductively states that everyone agrees that happiness is man's highest good, yet they disagree about the whatness of happiness: some people think that happiness consists of the pursuit of pleasure, others think that it consists of wealth, and of nobility, and some others think that happiness comes from good health [21].

**Definition and classification of virtues according to Aristotle**

Virtue is an internalization that makes man good, and makes his actions good. This can happen when man's actions and interactions are within limits.

Aristotle first divides virtue into two types: rational virtue and ethical virtue.

**Rational virtue**: This type of virtue comes about through learning. It needs time and experience to develop.
Ethical virtue: This type of virtue is the result of habits. It does not result from nature, because no natural creature may have acquired a habit contrary to their nature. Naturally, we have the capability to nurture our virtues, yet it is through habits that we may be able to make them perfect. At first, we have our natural abilities potentially, but we can actualize them later through our actions. Aristotle believes that virtue is an internalization of good deeds, thereby changing man into righteousness, so that his actions and interactions will be within limits [22].

Although being within limits is a virtue, and going to extremes is evil, not every action (and every interaction) can be judged on the basis of limits. For example, actions such as treason, shamelessness, rancor, murder, etc. are always considered as evil or corruption; we can not consider any moderation for such actions.

Aristotle's theory of being within limits can be easily questioned. For example, one can say that the extreme point of learning is the knowledge of indefiniteness, and the opposite extreme is utter ignorance. Therefore, how can we find any moderation or limits for knowledge? Moreover, can we say that the indefinite knowledge is bad, because it is going to extremes?

In addition to setting standards for virtues, Aristotle has also studied such ethical concepts as courage, bravery, chastity, generosity, bounty, etc. as well as the opposites of these concepts, as follows:

Bravery lies between the extremes of boldness and fear, generosity is between wastefulness and stinginess. Between the extremes of boasting and shyness lies truthfulness. Modesty lies between baseness and arrogance. Receptiveness is between finness and sternness. Flexibility lies between the extremes of surrender and despotism. Dignity is between ambition and lowness, and so forth [23].

Aristotle believes that happiness and virtue are not the same. There is, rather, a causal relationship between them. In other words, they are causes and effects: virtues cause happiness; through practicing in accordance with virtues, one will reach happiness [24].

Characteristics of happiness according to Aristotle

Aristotle believes that happiness has two main characteristics: First, happiness is innately desirable. In other words, we seek happiness for the sake of happiness. Second, happiness is independently good by itself. In other words, happiness does not need any entity or force. This utter independence is but pure perfection. Therefore, man's happiness is instinctly desired by him, and it is innately independent. Accordingly, happiness is the One God, and not other truths. The prosperous man is moving towards the pure reason. In other words, the closer to God, the closer to happiness.

Aristotle maintains that every sensual and/or rational virtue aims at preparing man to achieve the status of thoughtfulness which is, indeed, the action of God. By thinking, man tries to be similar to the essence of God who is the Absolute Thinking [25]. Aristotle says that thinking is the differentiating element that separates man from other animals, a fact that causes him to survive because man's material elements are mortal.

It is the happiness of man’s soul that makes him immortal, and he must be good-doing, and indifferent to the worldly matters in order to achieve happiness [26].
**Definition of happiness according to Mullah Sadra**

Mullah Sadra defines the happiness of something as the perfection of that thing. Iniquity is against happiness because the being is altogether good and the non-being is absolutely evil. The perfection of any being is its good, and the degeneration of any being is its evil. The perception of perfection causes pleasure, and the perception of shortcoming or degeneration causes pain and iniquity [27].

On happiness, Mullah Sadrah says: Until adherence of soul to senses stops, wayfaring will not happen. Wayfaring is movement towards God after the soul is separated from the senses and from the sensibles. Life will materialize in this world only if one's body is wholesome, and one's seed is permanent, and one's species deserves life [28].

In the works of philosophers, the perfection of a faculty is the same as its pleasure. Since, on the other hand, the pleasure of every faculty has been considered to result from the perception of pleasant circumstances of that faculty, the happiness of any faculty, consequently, means the perception of pleasant circumstances of that faculty. Avicenna defines pleasure as the perception of good and getting access to the good which is considered to be perfection and good for the perceptor [29].

Sadra also defines the happiness of any faculty as the perception of pleasant circumstances of that faculty. Since there are different degrees, or stations, for the perceptions of truths for the preceptor, there are also different degrees and stations for different preceptors of being. Their mastery of perception indicates the existence of the first truth as well as the existence of sensibles.

As the existence of a thing is pleasant for itself, the cause of a thing is the provider of its essence and perfection.

In his book *The Divine Evidence*, Mullah Sadra says: sages all agree that pleasure, goodness, prosperity, happiness, etc. of each one of the sensual faculties result from the perception of something congenial to one's nature or tastes or moods, and that one’s pains, evil, and dissatisfaction result from the perception of something undesirable to his nature. For example, the pleasure of senses is a perception congenial to our essence. Admittedly, although all of the sensual faculties have the same perceptions, they are different in terms of their degrees of perceptions.

Accordingly, a sensual faculty with a stronger existence, and with a perfection congenial to its necessity, will have a more powerful perception. Therefore, we should not limit the pleasure in this world to the pleasure among the beasts, such as drinking, eating, and mating, lest we should say that the spiritual minds or the transcendental entities or those stationed near to His Presence, that are abstract from matter and bodily instruments, lack pleasure, hence-happiness[30].

In order to attain the higher universe of heavens, the soul has to cut off his attachment to the body and remove the veil of attachment to anything. The soul has to promote his thinking so that he can attain the higher universe.

Therefore, the intellectual happiness and the spiritual pleasure of Hereafter can not be compared to the sensual pleasures. The Holy Prophet has been quoted as saying: There is not pleasure, but the pleasure in the Hereafter, because the pleasure, and the life in general, in this world is transient. It is also accompanied by corruption and deterioration[31].
In the Holy Koran, quality and duration are the criteria for happiness ‘... and the world to come is better, and more enduring’[32](Chapter 87, Verse 17).

Meskeway believes that the intellectual pleasures are the highest pleasures because they are original and permanent, unlike material pleasures that are superficial, impure, transient, unidimensional, and carnal. Therefore, a person is happy when his pleasures are original rather than accidental, intellectual rather than sensual, active rather than passive, pure rather than impure, deep rather than superficial, and above all, Divine rather than carnal[33].

**Components of happiness**

Wisdom is one of the components of happiness. As the perfection of any creature depends on the traits, and effects, which are specific to it, man's perfection occurs when his own potentialities develop into perfection. Man's specific trait is his power of thinking-hence wisdom. Therefore, the happy life is essentially conditioned by intellectual activities specific to man. Accordingly, man's perfection depends on his thinking and the power of his reason and perception. In this regard, as it was mentioned above, Aristotle also believes that thinking, meditation, and reason are the components of the greatest happiness [34].

According to the Koran, only one thing can bring about happiness, and that is wisdom. ‘…. And whoso is given the wisdom, has been given much good…’ [35] (Sura 2, Verse 269). By wisdom, or knowledge, it does not merely mean the theoretical knowledge. Wisdom, rather, consists of two components: the practical aspect, and the theoretical aspect. A wise man is a person who has attained perfection both ways.

On happiness and man's true pleasure, Mullah Sadra says: This will be materialized when he attains the true perfection and the ultimate goal which is the nearness to God. Man's existential perfection occurs at two dimensions of theoretical and practical modes of wisdom; in terms of theoretical dimension of wisdom, man's existential perfection will occur when he comes to firmly believe in God, the monotheism of essence, and the Divine Epithets, when he recognizes God's magnificence, when he believes the Divine Bounty, when he moves in the direction of knowing the truths of the universe, when he removes the veils of ignorance, and when he becomes, in the final run, a universal scholar who encompasses the intellectual cosmos[36].

**Conclusion**

According to Aristotle, happiness is not the same as virtue. The relationship of virtue and happiness is that one is the first, and the other is the last. In other words, one is the cause, and the other is the effect: By acting on the basis of virtues, man attains happiness.

Aristotle believes in the innately desirable, or as he puts it, innately desirable in itself. Happiness must be innately independent, needing no other entity. Since man's happiness is innately ideal and innately independent, the true happiness is the One God, and not another truth. The happy man, therefore, is moving towards the pure reason, i.e., God the Almighty.

Like Aristotle, Avicenna believes that man's happiness is the same as the attainment of his ultimate goal and true perfection, i.e. nearness to God, or as Aristotle puts it, the Absolute Good, because there is no other perfection or good than the Divine Holy Presence. Whenever man reaches that great station, his soul will experience a happiness incomparable to any happiness.

Attainment of perfection is optional rather than innate: Each person has to attain perfection through his voluntary actions.
Through education, learning, and nurture, man is able to reach his ultimate purpose, i.e. his happiness in two dimensions of wisdom: the theoretical dimension, and the practical dimension.

If man wants to attain happiness, he must get rid of two kinds of veils: the internal veil, and the external veil. The internal veil consists of the shortcomings of soul. It can be removed in the light of Active Reason. The external veil consists of the soul's involvements with sensual faculties. If man is able to do away with these two kinds of veils, everything will be revealed to him, and everything will become apparent for him.

References

8. ibid., p.132
9. ibid., p.221
23. ibid., p.205
24. ibid., p.263
24. ibid., p.266
27. ibid., p.8
31. Fakhry Majid, Ethical Theories in Islam, Netherlands, Brill, 1991, p.17
The Use of Internet as a Marketing Tool: Insights from Bed and Breakfast Establishments in Bushbuckridge

MM Lebambo, Tshwane University of Technology, South Africa
EM Rankhumise, Tshwane University of Technology, South Africa
R Shambare, Tshwane University of Technology, South Africa

Abstract

With the upsurge in tourism activity in South Africa, the number of bed and breakfast (B&B) establishments operating in the Bushbuckridge region continues to rise. This has naturally increased competitive pressure in the sector. Consequently, many B&B operators seem to fail to attract a critical number of guests to become profitable, and are thus buckling under intensifying competition. In order to survive, B&B managers are searching for new sources of competitive advantage. Borrowing from their counterparts in the hotel and accommodation industry, the Internet has become an integral part of B&B managers’ marketing toolkit. The purpose of the study was to assess the reasons for adopting or not adopting the Internet as a marketing tool by B&B establishments in Bushbuckridge. Data were collected via interviews among B&B owners and managers who have adopted of the internet marketing and those who did not. The results indicate that for those who adopted internet marking had made some strides and they are getting customers just like hotels. In contrast to this, those who did not adopt internet indicated that they are struggling to attract clients and in most cases they depend on the walk-in customers. Most of these B&B are on the verge of closing their operations.

Keywords: Internet marketing, bed and breakfast, adoption, technology, tourism, South Africa
The Woman Angle: A Feminist Reading of Ngugi’s *Matigari*

*Ade Adejumo, Nigeria*

**Abstract**

This paper is a critical dilation of the role of women within the context of revolutionary actions. Ngugi’s eponymous novel, *Matigari* provides the literary platform of analytical engagement in which the woman shatters the “myth of weaker vessel” by volunteering to provide the much needed critical spine on which rests the successful execution of the protagonist’s redemptive mission.

**Introduction**

The prescriptive tendency of the literary socialist realism insists that “Literature must be tendentious, party minded, optimistic and heroic” (Terry Eagleton, 1992:38) defines the compass of committed literature. It is a literary tradition that is openly committed to and placed at the service of the proletariat. This is a literary engagement which questions the glaring injustice inherent in most capitalist socio-economic arrangements where the working masses are callously exploited and their rights trampled upon. This pro-Leninist literary stance is found in the heart of most protest literatures which Terry Eagleton (1992:40) dubs “an openly class-partisan literature.”

Though oppression and exploitation of the masses are gender blind as both men and women are victims of rapacious insensitivity of the bourgeois greed, most revolutionary literatures in their character depiction have placed the men at the centre of the struggles against injustice, while the women are either silent or remain passive at the background quietly chewing the cud of their bitterness against the system. At best, they are only portrayed as lending occasional helping hands to the revolutionary heroes (almost invariably men) to whom the struggle arena supposedly belongs. This macho-centric assumption is aptly described by Obododimma Oha (1999:1) as follows;

*Significations of a Geographical area as masculine are based on the presupposition in patriarchal rhetoric that the feminine / maternal is located within the (imagined) territory of the father. Such significations often conduce to the demonstrations of (physical) resistance...*

Soungrockingly marooned in a landscape chocked with air of patriarchal aristocracy, the woman, irrespective of her heroic credential, is only seen and treated as a sub-hero only conceded to her by the grace of the “super hero” who almost invariably is the man. Such masculine arrogance is under reference when Ajayi T.Ebunolu (2009:216) offers that “Female characters created by male writers in fiction act within the framework of their traditional roles as wife and mother... ”

This restrictive tendency inherent in most African cultures is sometimes carried over to fictional African writings where women are portrayed, as heroes in the kitchen rather than being in the fore-front of revolutionary actions. It is in the recognition of the need to break this culturally erected barrier of sex-sired restriction imposed on the women that has produced some African writings by male African writers who have deliberately created heroic female figures in their works. Attesting to this, Ajayi (2009:217) offers;
Some male writers... do develop female characters to reflect the functional mainstream of social-political economic relevance in the society.

Our aim in this research is to further explore how this effort is sustained by NgugiWaThiongo in his novel, Matigari. In doing so, we focus on the heroic and daring escapades of Guthera, the most important female character, without whose critical interventions, the revolutionary quest of the central character, Matigari, would not have been achieved.

A Synoptic account of the Novel

Matigari is woven around the fictional hero, Matigari, who emerged from the Kenyan struggle for independence. He is cast in a messianic image who, having survived the fierce independence struggle, emerges on the streets of post-independent Kenya in peaceful search of his family. This search brought him face to face with the sad realities of the “new” Kenya where the lots of the ordinary man have taken a nose dive for the worse. Hunger, deprivation and unemployment have become the order of the day. His children and wife symbolized by the scavenging kids and prostituting women have collectively been emiserated beyond all levels of human decency and dignity. In short, the essence of their (i.e the patriots) struggles and vision of a new Kenya have gone unrealized. The new African leaders are now in league with the supposedly displaced colonial masters (the writers) in the exploitative enterprise to which the people have been subjected.

This state of affairs in the post independent Kenya now foists a fresh responsibility on the old man, Matigari ma Njiruungi, to mobilize, once again, the suffering masses of independent Kenya against their new exploiters. The story is propelled by the heroe’s (Matigari’s) search for the “Truth and Justice.” Thus the narrative assumes the character of a journey throughout the country in search for the answer to the critical question of where to find truth and justice. In the course of this, he comes across various spectrum of people who he tries to recruit into the struggle. Unfortunately, virtually all of them could not summon the requisite moral courage to openly join Matigari in this important struggle. The much needed support is provided by a female character-Guthera- a woman, prostitute and orphan with whom he teamed up to execute the struggle. Having won the woman to his side, Matigari realizes the centrality of the women to the struggle at hand, a fact which he summarized as follows:

Indeed, women were the corner-stones of the home. How foolish of me not to have thought of it! I should have started looking for women... women are the ones who uphold the flame of continuity and change in the homestead. (Matigari, p.27)

With this, Ngugi deliberately imbues the woman with the moving spirit of a super hero who not only braves the wicked odds created by the operators of the neo-colonial system, but also openly identifies with Matigari without minding the obvious danger to her life.

In profiling the crucial essence of a hero, a writer offers;

Heroes are people who transform compassion (a personal virtue) into heroic action (a civic virtue) in doing so; they put their best selves forward in service to humanity. A hero is an individual or a network of people that take action on behalf of others in need, or defense of integrity or a moral cause (raproject:2015)

We can conveniently submit that Guthera successfully shatters the “docile-say-yes” image of the woman as a weaker sex lacking completely the revolutionary initiative for a popular struggle. The recognition of the self-immolation and rare audacity of her actions in the novel is the author’s creative acknowledge of the capacity of the women as equal stakeholders in the business of the quest for a revolutionary
reclamation of the stolen patrimony of the masses of the African nations. This tallies with Remi-Akujobi’s (19….: 94) definition of womanism as referring to “someone who is outrageous, audacious, courageous, willful and responsible.” All these qualities are possessed by our female hero in appreciative quality and quantity.

Our first contact with Guthera in the novel is at the restaurant / bar where Matigari and Muriuki (the boy) had gone to take some refreshments. Here, we are informed that she has been trying to evade some policemen who had been stalking her, apparently for sexual exploitation. This first fleeting encounter affords us a useful insight into her psychological make-up as a strong-willed individual. Though a conditional prostitute, she, vowed never to have anything to do with the police for the betrayal and tragic violence her family had received in the hand of a police officer in the past. To her though very poor and desperately in need of money, she will never touch money from a police officer, for as she puts it, “…cops’ money stinks of blood… I’d rather beg for a beer even from a total stranger - like that man over there.” (p.28) this resolution led her to the near death encounter with the police from which Matigari saved her. Reminiscent of the swearing an allegiance oath, Guthera in appreciation of Matigari’s Messianic intervention, declares in an apologetic tone;

*I don’t know who you are … but I beg you to forgive me for all the things that I said to you earlier on. I will never forget what you have just done for me as long as I live.* p. 33 (My emphasis)

For our heroine (Guthera), this is a point of no return, a passionate commitment to the ideal of the struggle and an uncommon loyalty to the essence of redemptive struggle against the police which represent the repressive arm of the neo-colonial Kenya. From this point, the narrative assumes a different dimension as dictated by Guthera’s strategic interventions without which Matigari’s mission would have been tragically aborted. These interventions provide insights into the heroic make-up of this fictional but admirable female figure.

**Guthera and the Growth of the Matigarian Myth**

The Matigarian myth is akin to the odyssean escapade in Homer’s narrative. King Odysseus in the narrative is presented as a hero who, after his successful exploits in the city state of Troy had to undergo some excruciating experiences in the hands of his adversaries in his bid to find his way back home i.e Ithaca. On his return, he is able to defeat his enemies and regain his kingdom and his wife. With these exploits, Odysseus becomes mythologized and is seen in a godlike manner. The Odyssean narrative has a lot of correspondences with Matigari’s experiences in the novel. For example, like Odysseus, Matigari experienced a long stay in the bush away from home. He only returned home after defeating the setter and his collaborators in a war of liberation. On his return, he is seen as a figure from Kenya’s historical past. He is revered and treated with utmost respect. Some even see him in a Christ-like light, to some, he is the resurrected Christ. His person defies concrete description in people’s discussions. To some, he is a dwarf, to others, he is a giant who is imbued with the ability to disappear and appear at will.

One can conveniently argue that without Guthera’s interventions, the Matigarian Myth which eventually emerged from the nationalistic escapades of the hero would not have been possible. For example, when Matigari was thrown into the prison, Guthera broke her life-long vow not to have anything doing with the corps. She had to offer herself to the officer in charge to be able to effect a surreptitious freeing of the old man from the cell. This singular act further enhanced the growth of the Matigarian myth which further enhances the status of the protagonist thus assisting the execution of the struggle. Immediately after being miraculously let out of the cell through Guthera’s clever manipulation, we are informed; ‘from that night, Matigari’s fame spread over the country. He became a legend. He became a dream.’ (p. 66)
Thus, through Guthera’s heroism, Matigari (the protagonist) is transformed into a super human hero who has come back to liberate the people from the yoke of oppression. To some, he is a dwarf who is also capable of instant transformation into a giant. He cannot even be held in detention as he is capable of effecting a mysterious opening of the prison doors. This protean and magical essence in people’s estimate is to further assist Matigari in the successful execution of his mission. The uncommon display of commitment by Guthera thus becomes a propelling force which continues to drive Matigari inspite of the frustrations received from people with whom he comes into contact. The author testifies to this when he allows us a peep into matigari’s mind regarding Guthera’s contribution to the struggle.

As he recalled how Guthera had given herself as a sacrificial lamb for his salvation, a sharp pain stabbed his heart, and he felt tears sting his eyelids. (p.88)

It is instructive to note that the protagonist, throughout the narrative, does not receive such sacrificial input from any other character inspite of the multiplicity of men with whom Matigari comes into contact.

Guthera’s heroism is further highlighted by the fact that where men, flatly succumb to the crippling fear unleashed on the country by the government, and as a result will not have anything to do with Matigari, this courageous woman’s resolve, remains unbroken. For example, when Matigari visits the teacher in his quest for Justice and Truth, out of fear the teacher (a man), interjects;

What? Change? Revolution? Are you one of those radicals who talk about revolution? I think that it’s better that you leave. I don’t want your radicalism to rub off on me. Revolution is leprosy… (p. 91)

On the contrary, while the teacher fears being seen with Matigari, because of the obvious danger such association poses, Guthera follows him about, albeit keeping some strategic distance for her to be able to lend helping hands whenever Matigari runs into trouble. This is attested to by Matigari himself in one of his discussions with Guthera and the boy, Muriuki, where he acknowledges the crucial essence of her assistance to and association with him in the struggle;

...where did that kind of thinking land me? First in prison, then in the mental hospital. If it were not for the two of you, where would I be today? Still in prison, or in a mental hospital. (p.138)

Thus, we have a graphic demonstration of the woman taking up the challenge of not only identifying with the driving spirit of the struggle, she also provides helping hands through daring espionage to lift the protagonist out of trouble. This she does, even when men like the teacher have succumbed to the grip of emasculating fear. Where then lies the superiority claim of men when it comes to popular struggles?

The ability to stick to the principled path of conviction in pursuit of a popular struggle even in the face of threat to one’s life is the central essence in the profile of the hero’s character. Knowing fully that Matigari’s decision to openly confront the oppressive system personified by Robert Williams (the settler) and John Boy junior (the black collaborators) and engage them in armed struggles, might come with tragic consequences, Guthera decides to go with the old man. This, she sums up as follows;

“I will come too… one can die only once, and it is better to die in pursuit of what is right” (p.139).

Thus, we see this inspiring female hero, rather than choose to go back to easy life of prostitution and continuous commodification of her virtue like the others, decides to pay the supreme sacrifice in the struggle for the liberation of her people. She dies with Matigari at the end of the novel, but she succeeds in writing her name on the positive side of history.

In the novel, women are depicted as equal co-carries in the oppressive burden of the sad realities of the contemporary African situation. This is succinctly summarized in Muriuki’s response to Matgari’s
interrogative interjection “so women now work in bars” (p.25) she provides a confirmatory elucidation of the situation;

“women work everywhere;... they sweep the factories, cut gran in the fields, pick tea, coffee and pyrethrum and clean all the shine from the smelly drains and gutters.” (p.25)

This paints the image of long suffering and rugged distance runners in the race of survival in hostile environment. It puts to lie, the male-driven theory of women as weaker vessel actively promoted by the phallocentric imagination of masculine arrogance.

The birth of commitment to popular struggle must of necessity follow certain normative patterns. These are what we term the three platforms of being;

- The fool’s paradise/helpless despondency
- The tearing of veil/discovery of self
- The resolution/concrete definition

Guthera, though a prostitute by condition, had been living in the fool’s paradise like many others in her situation, thinking that there is no alternative to the kind of life that the social order has imposed on them. To them, the best is to use their body to get what they need. At this stage, Gulthera sees herself as a pleasure provider in exchange for money. This comes out in her first encounter with Matigari where she shamelessly advertises herself to the old man;

*Don’t be mean! Aren’t you going to offer me anything to drink? Or how much do you want to pay for a little pleasure? Pleasures are very expensive, you know. But at this time of the month, the prices are usually low. (My emphasis)* (p.28.)

The above represents the worst debasement of woman who is treated as a commercial item. The worst aspect of it is that she also sees herself as such. This is the condition of our female hero and all others victims of oppressive misrule which most African nations have been reduced to.

The next stage is that of self-realization leading to the tearing of the veil of despondency. At the nudge of the agent of change, here provided by Matigari, Guthera comes into the full realization of her being. This she sums up as follows;

*... I have not been satisfied with the kind of life. I have been leading. You see, my entire life has been dominated by men, be they my father in heaven, my father on earth, the priest, or all the men who have bought my body and turned me into their mattresses. (My emphasis)* (p.140.)

Guthera on this sudden realization passes a damning self-judgment when she blurts out; “the life I have been leading is not that of a human being. It has been more like that of an animal.” (p.140)

After the veil tearing experience, the most important question is how do I change the situation and the system that creates and perpetuate it? This is what defines the hero and sets her apart from the passive others. Guthera completes the process by choosing the path of liberation struggle, not for her benefit alone, but those of others in the same basket with her. She nudges other women into consciousness of necessity for action in the face of the daunting challenges to which they are daily exposed. According to her, “there is no woman who does not really know the pressures that we women live under.” (p.140) having come to this realization, what is needed is concrete action. Guthera once again spells out the manifesto for the liberation of the oppressed especially the women. She offers;
Once a person knows, what does she do about it? Or is knowing just good in itself? Is it enough for me just to say that now I know? I want to do something to change whether it is that makes peoples live like animals, especially women... from now on. I want to be among the vanguard. I shall never be left behind again. (p.140)

Conclusion

One central thesis of our argument here is that there is no gene in the biological make-up of the woman that makes her amenable to inhuman condition or unjust situation to make her silent in the face of grueling deprivation. She, just like her male counterpart is naturally endowed with the faulty of revolt against unpleasant condition. Also, there is no masculine gene that automatically qualifies a man for heroic actions.

It is in this light that we hold up Ngugi’s central female hero in Matigari as an exemplary character whose positive activism and heroic escapades as a worthy example for the African women. It is a clarion call by the author on African women to break the myth of the ‘weaker vessel’ and rise to the challenges of nation building in the contemporary African Affairs. Such activism can be replicated in politics, professions, and even at the home front. It is by such unity of sexes against retrogressive forces that will guarantee the birth of new and saner human communities since injustice has no gender; the forces against it must be equally gender-blind.

African writers are also encouraged to follow the footsteps of Ngugi in the creation of more heroic as a platform for women mobilization towards positive actions.

For us, the novel is an affirmation of the fact that he challenges of induced poverty, deprivation and general insecurity which most African nation contend with at the moment is conquerable if we are united in spite of differences in our physiological make-up. Since women and the children are likely to be more affected by the effects of bad governance, they should be ready to rise up and take their destinies in their own hands through direct involvement in popular struggles as exemplified by Guthera in Ngugi’s Matigari. The beauty of the implied thesis of the novel is that war on oppression can be won by active collaboration of men and women not a divisive confrontation between the sexes as demonstrated by Matigari and Guthera.

References


Akujobi, Remi (200…) “Re-evaluating Female Inferiority: The Image of Woman in Habila’s Waiting for an Angel and Agary’s yellow yellow” in Alxorede, Y.O.O. and Asinyanbole, A.A. (eds) Gender Theories and Polemics (A critical source book)


Herzberg’s Two-Factor Theory of Motivation: Empirical Evidence from the Arabian Gulf

Alexandre A. Bachkirov, Sultan Qaboos University, Sultanate of Oman
Awatif Said Al Awfi, Sultan Qaboos University, Sultanate of Oman
Fatma Tawfiq Al Hasni, Sultan Qaboos University, Sultanate of Oman
Amal Rashid Said Al Mamari, Sultan Qaboos University, Sultanate of Oman

Abstract

The purpose of this qualitative research was to explore whether Herzberg’s two factor theory of motivation applies to the work context in the Arabian Gulf. Ten practicing managers of different job levels, industries, and sectors in Oman’s Muscat metropolitan area participated in in-depth interviews. The semi-structured format of the interviews facilitated consistency and flexibility in the data collection. The interviews were digitally recorded, transcribed verbatim and scrutinized to determine emergent themes. Overall, the analysis of the interview data revealed support for Herzberg’s two factor theory. At the same time, it emerged that cultural characteristics of the research context – collectivism, high power distance, high uncertainty avoidance, and moderate masculinity – influence the structure of motivating and demotivating factors. This suggests that caution must be exercised when transferring management theories across cultures. The study discusses managerial implications for motivating employees.

Keywords: Herzberg’s two-factor theory, field survey
The Contemporary Ideological conflicts between Islam and the Western World

Tijani Abdulwahab, Ladoke Akintola University of Technology, Nigeria

Abstract

The world contemporary history is witnessing a global ideological conflict between Islam and the Western world. This conflict has translated into deadly military confrontations across the globe; with its attendant human tragedies such as widespread destruction of lives and infrastructure, and displacement of hundreds of thousands of people. It has also led to the disrespect and threatening of national sovereignty and territorial integrity.

Using the Marxian theory of imperialism, I have attempted an historical understanding of this conflict. The theory of historical materialism has been useful in explaining the attempt to dominate the world by the western capitalist world that constitutes the global army of western liberal democracy on one hand, and the contemporary Islamic revivalist movement on the other.

This work ultimately discovered that:

(i) The ideological conflict is due to the fundamental differences between Islam and the western ideology;
(ii) The conflict could be resolved if the two ideological worlds could eschew imperialistic tendencies;
(iii) There could be mutual understanding and mutual accommodation between the two worlds if mutual respect for sovereignty and territorial integrity can be established.

Keywords: conflict, ideology, Islam, Western World, imperialism.

The contemporary ideological conflicts between the west and the Islamic world have taken a global dimension. The entire Muslim world is in turmoil and serious crises that consume life massively on daily basis. We may ask why is the Muslim world in such a perilous state? What is it that has gone wrong in the Muslim world? Quixotic attempts have been made by writers to explain the causes of these conflicts, many attribute these conflicts to terrorism, and others attribute the conflicts to religious extremism, while others believe they are due to a wave of democratic movements across the globe.

Often human beings opt for scapegoats in the explanation of their plights. In this case, to what extent can we blame the western allied forces especially the United States of America (USA) forces for the disorganisation of Muslim nations of Libya, Egypt, Bahrain, Yemen, Afghanistan, Iraq, Pakistan etc? Can we simply dismiss it as a grand conspiracy against Islam by the Western powers? Or do we make a general statement that Muslim nations are underdeveloped, backward, conservative and against modernization or modern civilization? While there may be a grain of truth in some of these statements or explanations, it shall be indeed, naive to attribute a single cause for the intractable genocide that confronts the Muslim world.
Terrorism and religious extremism or radicalism seems to be interrelated in the argument of some writers who attribute these upheavals or conflicts to these factors. For instance, Walter in his study of terror and resistance called a siege of terror assert that the terrorists are morally deprived and they rejoiced in it. He sees the abandonment of morality and human instinct as an essential element of their training. They believe the war is between faith and falsehood, between right and wrong, civilization and barbarity. Hence all tactics are justified in the defence of their believe. They have no identity other than being members of the global Muslim Ummah on behalf of which they are waging war. (Walter E.V, 1969:4). They have also been described as “disaffected young people, some barely able to know who they are or what their history is” (cited in Aborisade, O. 2005: 1).

I attempt to view these conflicts beyond these levels. Hence, I opine that these explanations are mere smokescreen for the fundamental factors that caused the conflicts. The so-called disaffected young people who barely know their identity or even the radical terrorist fighting against civilization (Modernity) are products of human society.

It is a fact that history is made by the interaction of individuals and of groups in human societies, but the role of individuals in human history should not be over-emphasized over that of the society. When we study an individual we are at the same time studying the society that produced him. We cannot limit history to the activities of man as an individual; rather, we should view the social forces that determined such activities of man as an individual. We should therefore realize that terrorism, religious extremism and democratic movements do not occur in a vacuum or by young people ‘who lost their identity’. They are products of long period of political, economic, social and religious relations between the west and the Islamic world. Hence, we should view these conflicts within the historical context.

Consequently, I view the ideological conflicts as a violent clash of civilizations which is not a spontaneous phenomenon. It is akin to what was described as a renewal of historical forces of ... a mass of religious loyalties, ethnic identity, linguistic differences, and other forms of cultural expression’ (Mittleman, 1994 : 432) or what Huntington described as a ‘clash of civilizations’ (1996). It has taken its form during a historical process along with the trend of global historical changes. The tragedy of this conflict is that it has translated into deadly military confrontations across the globe, with attendant human tragedies, such as mass killings, destruction of infrastructure and civil life on a massive scale, the displacement of hundreds of thousands of people. All these have no respect for national borders or sovereignty. We cannot overlook the fact that the historical relations that engendered these conflicts cannot be separated from the history of global capitalist imperialism.

This ideological conflict whether within a nation or on the international level to some extent stems from political domination which goes back to the era of colonization. Colonial domination had four facets. It was not limited to political domination. It included socio-cultural alienation, military occupation and lastly the main objective of colonial rule which was economic exploitation. In the same vein, the appearance of radical Islamic terrorism and extremists such as the al-Qaeda, Islamic state in Iraq and Syria, the Ansar in Algeria the Muslim brotherhood in Egypt, the Boko Haram in Nigeria etc. could be properly understood within the context of the same historical trend that engendered the ideological conflicts. In other words, these Islamic movements are forms of reactions to the globalized cultural alienation through the Information and Communication Technology, political domination through puppet regimes, economic exploitation through the colonial and neo-colonial structures and military occupation by the international army of western liberal democracy.
Therefore, in this work, I shall trace the history of these ideological conflicts, using Marxian paradigm as a method of understanding the conflict, within the context of the Marxian Conception of history. Before I go into this, I shall define the western world, the Islamic world, the Marxian conception of history and imperialism and trace the history of the relationship.

The Western World

The western world geographically covers the areas of Western Europe and North America i.e. Canada and the United States of America. Ideologically, it covers the metropolitan nations of global capitalism. This area can be conveniently referred to as the area of the origin of modernity. Hence, in this work, I shall refer to modernity as the ideology of the west or the Western world. The beginning of modernity or the historical epoch which is often referred to as the modern world can be dated to the age of “Rebirth” “renaissance” and “Reconstruction” in Europe, which was followed by the age of “”Enlightenment”. The Age of Enlightenment ushered into the Industrial Revolution in Europe. All these radically brought Europe into modernity. Modernity swept through the world for the last four centuries of human history. It manifested in all spheres of societal life such as economic systems, socio-political structures, science and technology, communication, management, mentality religion, culture, philosophy, lifestyle architecture etc. All these were guided by rational and scientific approach, creating a secular world view in all spheres of life. Thus, overthrowing all theocratic world views glorifying all material progress and promoting Lassez Faire. One of the consequences of modernity is the disengagement of the modern world from theocratic world view, Religion or the sacred had become relegated only to the sphere of private life. This is a major factor in the global ideological conflict between the Islamic world and the Western world which epitomized modernity.

However, modernity was guided by different ideological orientations. This led to the distinctive procedures and social organization between the Western World and the communist Countries. The Western World are the developed capitalist metropolis with the liberal democracy as the political superstructure whereas many Eastern or the developing countries tried the socialist system with Marxist ideologies (Matei, C. 1993). The main claim of modernization is that pre-industrial economies became industrial or modern through the development of capitalist economic system which is related to industrialization, mass-education, occupational specialization, bureaucratization, communication, institutionalization etc. This led to changes in the social, political, cultural superstructure as well as the value and belief system, personality, mentality and social consciousness (Ronald, I 1997 : 8).

Consequently, we shall view modernity which dominates the Western World in terms of a social movement which entails industrialization, development of science and technology, colonization, globalization and the globalization of western values. Modernity brought critical developments; first it can be associated with the growth and development of industries and the social relationship that emerged from the use of machine and power in the process of production. Second, modernity led to the establishment of the capitalist system which is closely related to the development of colonial rule and neo-colonial relations. Third, modernity is linked to the creation of modern nation states. Lastly, with the emergence of industries, the capitalist system and modern nation-states, there developed the institutions of surveillance that monitor and coordinate social life through the collection and dissemination of information and the advancement in Information and Communication Technology (ICT). The impact of modernity
radically changed all facets of human life. It reshaped social relationship, as well as local, national and global relationship.

**Historical Materialism and Imperialism**

Marx spelt out the historical trend of development based on the concept of historical materialism as different stages of development of the political economy from the Communal stage, to the feudal, the capitalism, socialist and communist. Here, we are interested in the capitalist system, with its legal, social and the political superstructure. The capitalist economy also has different stages of development, ranging from the mercantilist stage, industrial capitalism, monopoly capitalist, the imperialist stage i.e. colonial and the neo-colonial stages.

When the Capitalist System developed into the imperialist stage, it became a necessity to acquire overseas colonies. This necessity was in two folds, when the need for overseas market, and sources of raw materials for the industries became competitive, it necessitated colonial domination the Arab land became western countries mandated territories, a condition that was not different from colonial domination. The conflict between the west and the Islamic world can be conveniently dated to this period.

Capitalist imperialism necessarily need to subordinate less developed economies of Asia and Africa to maintain an unequal exchange. The subordination covered wide areas, military economic, political and cultural. Hence, the military presence of the west in (Muslim Countries) Asia and Africa, the establishment of the political superstructure, the activities of the missionaries through establishment of western schools and the presence of the western multinational company.

**The Islamic World**

Historians have reconstructed the history of the decline and fall of great civilisations. Often the major causes of the decline of nations were more internal than external. The internal decay of nations forms the fertile ground for external forces to germinate and disintegrate such nations. The renowned British historian Tonybee observed in his work ‘A study of History that out of 22 civilisations that existed during recorded history, 19 declined or decayed from within (cited by Abdul Basit: 1998: 24).

The Muslim World was exposed to modernity at a period when it was caught napping intellectually, politically and economically. This made it possible for the colonization of the Muslim world by the Western powers. The consequences of this colonial rule and neo-colonial domination with the cultural and military attack on the Islamic world forms part of the manifestation of the ideological conflict between the west and the Islamic world.

Islam is a holistic religion. It touches every aspect of existence. Islam is based on the recognition of man as a creation which depends on its creator for the fundamental principles of life, although recognizing the relevance and power of reasoning. The type of dichotomy that exists in the western ideology between what is moral, spiritual or mundane or material do not exist in Islam. While the modern world is moulded on materialist doctrines, Islam, while not denying the material aspect of man, recognises both the spiritual and material parts of man. It is on this premise that we can properly understand the conflict between Islam and the modern world. The second major reason why this conflict is so pronounced since the past two decades is that modernity or which I refer to as western ideology which includes the economic, social, political and moral values have become globalized due to colonial rule, neo-colonization and recently the advancement in information and communication technology (ICT).
The period between 1783 to 1948 witnessed the balkanization of the Ottoman Empire. It also witnessed the colonization of African countries by the Capitalist European Countries. This include the Muslim countries of Egypt, Algeria, Tunisia, Morocco, Senegal etc. while the Muslim Countries of Saudi Arabia, Yemen, Turkey, Syria, Iran, Iraq, United Arab Emirate, Kuwait, and Jordan etc. became mandated territories. In this design, the missionaries, European trading companies, the military and colonial administrations worked closely.

Paul Kenedy observes that a number of factors led to the fall of the Ottoman Empire, i.e. (a) despotic rule, (b) severe orthodox attitude negating any initiatives or dissents, (c) consistently preferring conservatism to change and stifling any innovation (Abdul Basit, 1998). All these led to stagnation, isolation and decay which provided a fertile ground for the incursion of westernization inform of the subjugation of the economy and political power under the western capitalist system. A society that is found weak against growing forces of the new economic industrial and military power cannot eventually resist disintegration and subjugation (Abdul Basit, 1998:25).

At the end of the 16th Century, the fair missionary centre was established in Malta and it became the headquarters for further missionary activities in the empire. This was the beginning of the establishment of western culture in Muslim land by the British and French and American missionaries. The European missionaries operated under the guise of educational and scientific institution. By the 18th and 19th centuries when the Ottoman Empire declined the missionaries exploited the weakness of the state to increase their activities. In the 19th century Beirut became the centre for missionary activities.

The missionaries had two main objectives, one, to separate the Arabs from the Ottoman Empire, two, to alienate the Muslims from the Islamic bond. In 1895, the “secret association was formed in Beirut to encourage Arab nationalism. It distributed leaflets calling for political independence of the Arabs especially in Syria and Lebanon, it later spread among other Arab regions. Turkey was accused of snatching the Islamic caliphate from the Arabs, violating the Sharia and abusing the Islamic religion”. (Quoted by Thanni, A. 2008: 12).

These seeds of Arab nationalism came to fruition in 1916 when Britain ordered its stooge Sharif Hussein of Mecca to launch the Arab Revolt against the Ottoman Caliphate. This revolt was successful in separating the Arab lands from the empire and placing them under British and French mandates.

At the same time the spirit of nationalism was aroused among the Turks. The Young Turkish movement was established in 1889 on the basis of Turkish nationalism. They gained power in 1908 after outing khaleefah Abdul-Hamid II. He was succeeded by Mustafa Kemal who went on to abolish the Caliphate he was a member of the Young Turks.

Alongside the missionary activities Britain and France along with Russia began to directly colonize many parts of the Muslim world. This started during the mid eighteenth century when in 1768 Catherine III of Russia fought the Caliphate and successfully occupied the land of southern Ukraine, northern Caucasus and Crimea which became incorporated into the Russian Empire. France attacked Egypt and Britain began its occupation of North Africa. She occupied Egypt and Sudan. Gradually, the lands of the Ottoman Caliphate were receding until the end of the 1st world war when all that was left was Turkey, which was occupied by allied troops under the command of a British general.

The division of the land of the empire was a plot hatched by Britain and France in 1916 in the secret agreement known as sykes-picot agreement. This plan was negotiated between French diplomat, Francois Georges-picot and British diplomatic advisor mark sykes. Under the
agreement, Britain was allocated control of Jordan, Iraq and a small area around Haifa. France was given the control of South-Eastern Turkey, Northern Iraq, Syria and Lebanon. The controlling powers were left free to decide on state boundaries within these areas. In the years preceding the destruction of the empire, Britain played the most important role in nurturing its agent, Mustafa Kemal. Through a number of political maneuvers aided by Britain, he was able to establish himself as an authority within Turkey.

In 1922, the Lausanne conference was organized by the British foreign secretary Lord Curzon to discuss Turkey’s independence. Turkey at that time was under the occupation of the allied forces with the institution of the Khilafah already eroded. During this conference Lord Curzon stipulated four conditions prior to recognizing the independence of Turkey. These conditions were:

1. Total abolishment of the Khilafah (Caliphate)
2. Expulsion of the Khilafah (Caliphate) beyond the borders
3. Confiscation of its assets
4. Declaration that Turkey becomes a secular state.

The success of the conference rested on the fulfillment of these four conditions. However, even with such foreign pressure many Muslims within Turkey still cherished the idea of Khilafah which had served Islam so well for so many centuries and found it inconceivable that it could ever be abolished. Hence, Lord Curzon failed to secure these conditions and the conference wound up in failure. Yet, Lord Curzon on behalf of Britain did not give up. On 3rd March 1924, Mustafa Kemal employed forces and terrorizing his political opponents managed to push through the Abolition bill that would lead to abolition of the institution of Khilafah officially. For the colonialists destroying the Khilafah was not enough. They wanted to ensure that the Khilafah could never arise again among the Muslims. Lord Curzon said

“We must put an end to anything which brings about any Islamic Unity between the sons of the Muslims. As we have already succeeded in finishing off the caliphate, so we must ensure that there will never arise again unity for the Muslims, whether it be intellectual or cultural unity”

(Quoted by Thani A. 2008:12).

Consequently, they placed a number of obstacles in the path of re-establishing the Khilafah such as:

1. Introducing the non-Islamic concepts in the Islamic World such as Patriotism, nationalism, socialism and secularism and the encouragement of political movements based on these ideas.
2. The provision of educational curriculum set up by the colonial powers, which have remained intact for 80 years that produced the majority of the Muslim graduates that are westernized in their thinking.
3. The economic strangulation of the Muslim world by western government and companies through neo-colonial structures such as loans, grants and neo-liberal economic policies.
4. The deliberate division of the Muslim world around contentious borders and territories such that Muslim world permanently be engaged in petty issues e.g. the ten years Iran/Iraqi War.
5. The creation of organization such as the Arab League and later the Organization of Islamic Countries (OIC) that cannot forge any Islamic Unity. Whilst failing miserably to solve any problem or issue.
The imposition of the state of Israel, in the heart of the Muslim world that would spearhead the Western power assault upon defenceless Muslim.

The use of puppets and tyrannical rulers in the Muslim countries, which oppress and torture the Muslims that oppose western ideology.

A colonialist plant has been set up to undermine Islam, to make Muslims vulnerable, to pillage their riches and to show them the way to vice by leading them to the consumption of alcohol and pork or to the addiction to gambling, thus making them a genuine consumer market. Such in fact, are the arms of the Western colonialist war, arms which must in no way be underestimated, for they are as effective as the cannon, the bomb and the airplane. These manoeuvres are not due to chance, they are linked to an authentic political policy which is directed toward Islam and the Muslim (Ghadafi, M. August 1988).

The ideological war against Islam is by no means limited to what was perceived by Gadhafi. The war as he rightly observed included the economic, political, military and the social war fronts. But we need to view it in its true form, which is a holistic, systemic inherent conflict between the Islamic ideology and the western ideology.

What then are the crises caused by the interaction between western ideology i.e. capitalism with social, economic and political features as (Western notion) of Human Rights, Lassies-faire and liberal democracy and the Islamic ideology that dictates the political economic and social principles of individual and nation according to the Shariah, i.e. the divine Laws translated in view of social, humanitarian and political expediency as well as environmental condition. Why are we having violent crises between the two societies? The reason cannot be farfetched. Capitalism is inherently imperialistic. The conflict has been ignited by colonial and neo-colonial activities of the western powers.

As observed earlier, colonialism and neo-colonialism have about four distinct features, viz: economic exploitation, military subjugation, political domination and cultural alienation. The four features are inter-related and interdependent. Capitalism as an ideology cannot survive unless it exploits the economy of the less developed societies. This started with the mercantilist stage of capitalism, when the western capitalist metropolis in Europe involved Asia and Africa in exploitative trade relationship, and it developed into the imperialist stage when it became necessary to subjugate their ‘trade’ partners militarily and to establish political control in order to facilitate the main objective of colonial rule which was economic exploitation for the survival (advanced) capitalist nations. To justify the military attacks and the political control, a ideological argument, excuse or pretence had to be put forward,, such the idea of the ‘civilizing mission’ assistance of ‘primitives societies’ etc.

When colonial rule became out-fashioned these activities continued in a neo-colonial form. The economy of Muslim countries continued to be exploited through unequal trade relationship, through interest ridden loan, grants and through the multi-national corporations that controls the wealth and resources of Muslim countries. The Muslim countries are among the richest oil producing countries in the world, hence the interest of the western powers in internal affairs of Muslim countries, their multi-national corporations are exploring and exploiting the oil resources of the Muslim nations. This explains why they needed puppet regimes, such as that of Sha Palavi in Iran before the Islamic revolution in 1979 that of Sadam Huissein in Iraq to serve
not only for their interest in Iraqi oil but to rib the revolution in Iran in the bud. Thus, they equipped Sadam’s military arsenal to become the fourth most powerful in the world. After using him to fight ten years of unjust war against Iran, in the interest of Israel,, for fear of attack on Israel they plotted against Iraq. In 2003 using the propaganda of Iraq having weapons of mass destruction they destroyed Iraq and continue its destruction till today. Peter (2015) rightly observed that:

*Nothing is hollower than the claim that today’s drive for permanent war lacks an economic basis.*

Quoting the Marxist-humanist perspective, Peter also observe that:

*Imperialism is not the product of a cabal of right wing ideologies who have taken control of the Bush administration; imperialism is the expression of a determinant stage of capitalist production*

This ideological conflict could thus be properly understood from its economic roots which is the inherit nature of global capitalism to dominate, “the fact that the concentration and centralization of capital has advanced so far that by now “there is no room” for even two superpowers underlines the present effort by the United States to achieve global domination through its drive for permanent war” (Peter Hudis, 2015).

The United States does not seem to be interested in territorial control of the world, unlike the classical capitalism and imperialism of the 19th and 20th centuries. Since the rise of the Neo-colonist stage of capitalism in the post World War III era, “it has preferred more indirect methods of domination, by relying on local surrogates and economic compulsion” (Ibid).

It is in this line of thought that, Dunayer Skaya (1951) stated that while “Lenin emphasized the export of capital as a prime motive for imperialist expansion, the present period is quite different; The bankruptcy of capitalist production compels not the export of capital for surplus profit. It compels the dominant capitalists to seek to incorporate and submit their domination the total national capital of other nations. The smaller national capitals, such as Britain and France, continue to resist but they are steadily being forced into a situation where their capital, manpower, scientific knowledge etc. are being incorporated into the services of the United States” (Quoted by Peter, H. 2015).

It is for the same reason that the so-called war on terror was launched across the world. Al-Qaeda was a body set up by the United States of American’s Central Intelligence Agency (CIA). It was established by the CIA to fight the Soviet Union’s occupation of Afghanistan which lasted for ten years. After the defeat of the soviets in Afghanistan, like the returning African soldiers after the First and Second World War, the Al-Qaeda questioned the exploitative economic relationship between America and Saudi Arabia, especially the exploitative presence of the western oil companies. Bearing in mind the propaganda of helping Afghans to fight Soviet domination, they questioned the justification of the Western domination and exploitative presence in Arab land. And like the African soldiers they demanded for independence by requesting for the expulsion on the Americans from kingdom of Saudi Arabia. This was a watershed in the global war between the western powers and such Muslim organizations.

The balkanation of Soviet Union in early 1990s ended the cold war between the western powers especially America and the East championed by USSR. The cold war with the benefit of
hind sight protected the autonomy of the less powerful nations, who could run to either side for protection in case of threats from one of the two but the end of the cold war created the so-called ‘unipolar’ world where any nation that opposes western imperialist presence shall be terrorized fought and destroyed.

The September 11, 2001 attack on the world Trade centre and the pentagon was blamed on the Al-Qaeda. That was enough reason for America and Western powers to declare total war on all nations without any iota of evidence. For example, Pakistan was occupied as a Muslim nation that has nuclear weapons. She was occupied under the pretence of fighting terrorists. The Vice-President to Obama who was also former Chairman of United States Foreign Relations Committee, Senator Joe Biden said before the USA’s occupation of Pakistan that:

*Here you have a country that is on the edge called Pakistan, with nuclear weapons and missiles to carry them that can strike the entire portion of that world, the sub-continent, all the way to the Mediterranean (The Majilis: 1).*

Biden proposing a solution for this ‘threat’ said:

*We should be in there, we should be supplying tens of millions of dollars to build new schools to compete with the Maadrassahs, we should be in there building democratic institutions. We should be in there, and get the rests of the world in there, giving some structure to the emergence or hopefully, the re-emergence of a democratic process. But what are we doing? (The Majilis Ibid)*

We may ask, what is the relationship between Pakistan’s nuclear arsenal and the Camel Age Maadrassahs? The agenda of the western powers remains the complete westernization of the Muslim world, with the primary aim of pillaging the wealth, and the natural resources of the Muslim countries through instrument of political control, cultural alienation and military subjugation.

The Soviet Union intervention in Afghanistan in December 1979 was part of cold war and a response to fears that the United States of American could exploit the unrest in the country to establish a stronghold. However, the September 11, 2001 attacked on World Trade Centre and the Pentagon was an opportunity for the United States to occupy Afghanistan. The United State saw the country as the cradle of Islamic radicalism and the source of the attack. Secondly, Peter rightly described it as a:

*.... Goal of creating a network of what were termed forward operating bases around the world with which to contain the growing power of China, in particular. By establishing a military power in Afghanistan,, the United State could also hope to move further towards a encirclement of Iran as well as keep a close eye on an Islamic radicalism in Pakistan and also, oil interests in Central Asia (Peter M. 2010: 82).*

The attack on Libya and Syria cannot be blamed on Islamic terrorist activities rather the United States of America created terrorist groups, sponsored them and assisted them militarily to topple legitimate governments and turn the countries into war zone. This was done under the pretext of supporting democracy movements. While in Bahrain and Yemen, the democracy movements were attacked by the agents of the west, supporting decadent monarchical governments in both countries.
Like the pretext of ‘the civilizing mission’ ‘democracy’ is the ideological excuse to topple governments around the world in order to install puppet regimes and to pillage their resources for the sustenance of the capitalist metropolitan economy in Europe and America.

An important weapon is this imperialist war is the western press, the unjust wars and occupation were not only justified but it assisted the creation of Islamphobia. Islamphobia has led to the creation of a picture of Muslims been extremist, murders, primitive, terrorist etc.

On the creation of Islamphobia a Computer Engineer Joe Paul Echon rightly said:

I did not care for Muslims, since the media had painted a very bad picture of them. For example, they are terrorists, if a Muslim committed a crime; the media blames all the Muslims. We are told not to cross in front of Muslims because they might kill you. We were also advised not to deal with Muslims since they are bad persons (Imtaz, A. 2001).

In the 20th Century, Governmental attacks were not limited to the presence of military forces but also in political, economic and cultural fields. The governments which posses developed technology have the world’s largest communications satellites and high-circulation publications under their control. Third world countries have no choice but to retreat before these attacking powers. Perhaps they are successful to some extent in neutralizing the western radio broadcasting within their own countries, but they cannot provide counter-influences throughout world. This has assisted the phenomenon of globalization of the western ideology.

Globalization has manifested itself in five major ways:

(i) The shortening of geographical distances;
(ii) The traversing of physical distances through manipulation of the electron;
(iii) The emergence of the world culture owing to certain universalizing factors;
(iv) The homogenization of human societies through the universal adoption of western concepts and vocabulary
(v) The manifestation in the relation of military and human warfare.

Consequently, globalization is an effective way of transmitting western civilization to the world. It is basically a western agenda on its own terms that makes the west the biggest beneficiary. Globalization happening within an unprecedented military and economic warfare, against any part of the world that resists in any way the establishment of western imperialism. We may argue that it is no sin for the west to sell out its socio-cultural and ethnical ideologies through the instrumentality of globalization.. the crucial problems with this is first, the military aspect of globalization, i.e. the activities of the western soldiers of democratic principles has led to wanton mass destruction of lives and economy of nations,, such as Iraq, Afghanistan, Pakistan etc. Second, the anti-terror wars, have produced terrorists and used terrorists to attack “unfriendly” nations such as Syria and Libya. Third, the west is transmitting the deplorable western values. The west has reached the highest peak of moral decadence. All sorts of vulgarities such as legalizing homosexuality, lesbianism,, pornography, prostitution etc. are been transmitted through the print and electronic media to rest of the world. Lastly, the western imperialism has rendered African and Asian economies to periphery of global capitalist economy with headquarter in Europe and America. All these facets of globalization are interrelated and interdependent. Islam has always disapproved all forms of oppression and exploitation of man by man. This definitely shall bring Islam and Muslim in conflict with western imperialistic activities. Islam do not condone immoralities such as listed above, similarly the anti-God stance
of the west, worshipping material progress, reducing morality to the level of practical utility and making material success as the criterion of good and are inimical to Islam.

Muslim that show active resistance to all these evils are often referred to by the west as fundamentalist, extremist, terrorist etc. However, certain basic aspects of modernity are in tune with the Islamic ideology, namely Advancement in Science and Technology and general modern education which has often being referred to as western education. Two, the formation of consultative and representative governments, three the establishment of international trade and commerce, exchange of ideas and knowledge that are functional. Above all, the maintenance of universal peace amongst all nations.

Speaking on Islam, Huntington observes that ‘Islamic resurgence’ did not just occur in predominantly Muslim cultures, it occurs in every country with a good sizeable Muslim Minority. He rightly views the resurgence as a wish to reassert:

.....an increase in Islamically oriented government, organizations, laws, banks, social welfare services and educational institutions. (Esposito cited in Huntington, 1996:10).

Conclusion

By and large, Islam abhors exploitative economic systems and interest relations, which are based on the exploitation of man by man, thus creating man-made social imbalance. Especially the neo-liberal economic policies are viewed in Islamic lenses as extremely exploitative materialistic, fanatically secular, and immoral and evidences of the anti-God nature of the capitalist economics of western civilization (Al-Islam 1995:3). The Capitalist system of distribution of wealth, the concentration and control of the means of production by self-centred immoral ruling class to whom social welfare in the Islamic sense is non-existent, made it an opposition to the Islamic belief system which has elaborate provision for equitable distribution of wealth and social welfare. Thus most Islamic insurgents such as the Al-Qaeda, Boko Haram, Al-Ansur etc. are clamouring for the Islamic legal system. The challenge before Muslims today is how to establish peace in all Muslim countries and secondly, how to assert Islamic belief system in a non-violent manner and to resist or ward off the neo-colonial structures. The conflict could be resolved if the two ideological worlds could eschew imperialist tendencies. There could be mutual understanding and mutual accommodation between the two worlds if mutual respect for sovereignty and national integrity can be established. The need to establish a peaceful world is a matter of necessity and as a collective duty.
References


Intaz Ahmad (2001): *International Muslim Youth KSA*


www.international maristhumanish org/articules/what-is-new-in-todays-imperialism by peter-hudis (assessed 26/05/2015)
Iran, Political Islam, and Democracy

Mahdieh Aghazadeh, Istanbul Aydin University, Turkey

Abstract:

The Islam-democracy discourse is one of the very interesting topics in the political science that has been questioned by many scholars. It becomes even more attractive when the compatibility of Islam and democracy are examined under the rule of an Islamic regime. The best example of hiring political Islam can be finding in the Islamic Republic of Iran. Are political Islam and democracy compatible? This paper will answer this question by focusing on the case of Iran after the Islamic revolution. The results provided by discussing the Iranian Islamic regime system, election mechanism, and characteristics as well as studying the Iranian identity. Neither the election system nor the Iranian public opinion polls admit the existence of democracy within the Velayat-e-Faqih context.

Introduction:

Various scholars have been frequently questioned the compatibility of democracy and Islam. In one hand, some scholars, most famously Samuel P. Huntington has stated that Islam and democracy are incompatible institutions. Huntington explains that unlike Protestantism, Islam has not been hospitable to democracy. He refers to Freedom House data that none of the Muslim countries had been marked as ‘free.’ However, on the other hand, there are some Muslim intellectuals who argue Islam and democracy are compatible based upon interpretations of Quran. Muhammad Iqbal, an Indian scholar, has concluded the importance of democracy in Islam by stressing equality and brotherhood concepts in Quran. Furthermore, in her book Islam, Democracy and Religious Modernism in Iran (1953-2000): From Bazargan to Soroush, Forough Jahanbakhsh highlights the contribution of seven Iranian religious intellectuals before and after the Islamic revolution with the Islam-democracy debate. This book emphasis on the fact that democratic aspects of the theory of government were as important as its religious aspect for these intellectuals who had a very important role in the ideology of the Islamic revolution.

The adaptability of Islam and democracy has been studied by using a quantitative method as well. Mark Tessler and Ebru Altinoglu have studied the political culture in Turkey and its connection with democracy by using factor analysis. Among others, they conclude that while the majority of Turkish people are supporting democracy as a political system, but probably there is not an appropriate political culture existing to the level that would be conductive to democratic consolidation. It has been stated in the paper that “With respect to religion, it does not appear that strong Islamic attachments discourage the emergence of pro-democracy attitudes…These findings tend to support those who challenge the proposition that Islam is hostile to democracy… religiosity among Turkish Muslim is not strongly and consistently associated with anti-democratic attitudes, and similar results reported in other recent investigations lend confidence to the conclusion that Islam and democracy are not incompatible.”

Relying on Turkey’s case, one can give an example of the compatibility of Islam and democracy. While Huntington has claimed about inadaptability of Islam and democracy before, later on 1993 in his
famous book *The Third Wave: Democratization in the Late Twentieth Century* he writes: “Islamic doctrine thus contains elements that may be both congenial and uncongenial to democracy. In practice, however, the only Islamic country that has sustained a fully democratic political system for any length of time is Turkey, where Mustafa Kemal Ataturk explicitly rejected Islamic concepts of society and politics and vigorously attempted to create a secular, modern, Western nation-state. And Turkey's experience with democracy has not been an unmitigated success.”

Even if the capability of Islam and democracy has examined and proved under the governance of a secular state, but one should ask the provocative question of if the ‘political Islam’ and democracy are compatible? Is Islam and democracy still adaptable when there is no separation between religion and the government and both are interwoven into each other in the system? The answers lie in those state practices where Islamic government rules. One of the best examples of practicing political Islam is the Islamic Republic of Iran. Since the Islamic revolution of 1979 in Iran, Islam has been used as the reference for state constitution and in political lives of the country. The Islamic revolution was the beginning of the fundamental changes in political, economical and cultural structure of Iran, which changed the imperial monarchy with the Islamic republic. In order to better understand the political Islam and the implications of democracy in the country, the political structure of the Islamic Republic of Iran should be analyzed.

**Khomeini's legacy: A Theocratic Regime**

On March 1979, a referendum on creating Islamic republic was held and the 98.2 percent of voters ratified the constitution, indeed on 1\textsuperscript{st} of April 1979 Islamic republic was established. Ayatollah Khomeini, the Islamic revolution leader, applied *Velayat-e-Faqih* and Shi’ite Islamic ideologies into Iranian government system. In simple words, *Velayat* with the root of *Vali* in Arabic means owner and protector, and *Faqih* refers to a person who has the surpasses of knowledge of something; hence *Velayat-e-Faqih* is an expression proposed by Khomeini regarding a faithful leader and an Islamic jurist who guides the Islamic society in the absence of the Twelfth Imam.

In Shia Muslims view, following the death of prophet Muhammad, his cousin and son in law, Ali Ibn Abi Talib ruled the Muslim community. The Muslims leadership continued by succession to twelve Imam whom the twelfth one in absentia. In *Velayat-e-Faqih* notion, in the occultation period the leadership authority should be given to a *Vali-e-Faqih* or supreme leader to rule the Muslims. Khomeini stated that God had assigned the profit as the ruler and he obligated obedience to the Islamic ruler; referring to Quran verse: “you who have believed (god), obey Allah and obey the Messenger and those in authority among you.”\textsuperscript{vii}\textsuperscript{viii} Hence, in the Islamic government, Supreme leader is the country’s top decision maker and Defy the leader is considered a transgression of God.

After Khomeini’s death in 1989, Ayatollah Ali Khamenei became the Iranian Supreme Leader for the rest of his life. In other words, Khamenei is the successor of the ‘Shia absent Imam’ and hence acting ‘on behalf of God.’ Specifically, Under *Velayat-e-Faqih*, Iran is a theocracy as its rulers intended to be. However, in addition to the supreme leader, there is a complex institutional leadership in the government mechanism. The answers to the question whether or not democracy can be applied under a theocratic regime lies behind understanding these mechanisms.
How the Iranian Theocratic Government works: The Structure of Power in Iran

The balance of power system of the Islamic republic consists of both elected and unelected (or indirectly elected) institutions. Elected institutions are as the Presidency, Assembly of Experts and the parliament; unelected institutions or those that have been elected indirectly through representatives of people, which are the Supreme Leader, Armed Force, and the Expediency Discernment Council. Indeed, the Guardian Council is a joint venture institute, Constituting of both elected and non-elected members. Below is a brief explanation of each institute in Iranian political system:

Unelected Institutions

- **The Supreme Leader**: The ultimate power and highest-ranking political authority belongs to supreme leader whom Designate by Assembly of Experts. He appoints the head of the judiciary, six members of the Guardian Council, the Expediency Council members, the commanders of all the armed forces, Friday prayer leaders and the head of radio and television. The supreme leader also confirms the election and decree of the president. Since the history of the Islamic republic, Iran has experienced two supreme leaders: first Ayatollah Khomeini (from 1979 revolution to his death on 1989) and second Ayatollah Khamenei (since Khomeini’s death till now).

- **Armed Force**: Both bodies of the Armed Force, Revolutionary Guard Corps (IRGC) and regular forces, are under the command of the supreme leader. Since the 1979 revolution, the Guard Corps have established in order to protect and defend the new regime against the internal and external threats. According to Greg Bruno and Jayshree Bajoria, the involvement of Guard Corps had been penetrated deep into military, political and economic force since 2004.

- **Head of Judiciary**: Iranian judiciary system is based on the Islamic law. The article 156 of constitution express that the judiciary is an independent power, which protects social and individual rights of the people and is responsible for implementation of justice in the society. Supreme leader is appointing the head of judiciary who is in power for five years.

- **Expediency Discernment Council**: The body has established with the order of Khomeini in 1988, with the aim of resolving disputes over parliament and the Guardian Council. Expediency Council also gives advice to the supreme leader in determining the general policies of the Islamic Republic. It has 45 members who are appointed by the leader for five years.

- **Guardian Council (Jointed-Appointed Institution)**: Guardian Council has twelve members: six *Faqih* (theologian) appointed by the Supreme Leader and six jurists introduced by the head of the judiciary and approved by the parliament. Members are selected for a six-year period and they are responsible for monitoring legislation in parliament. The body has to be ensuring the compatibility of the legislation passed by the parliament with the criteria of Islam and the constitution; also the Interpretation of the constitution and the Election monitoring are the other duties of this vetting body.
Guardian Council has the veto right of all legislations passed by the parliament or the electoral candidates; all of which made this institution one of the key powers.\textsuperscript{xiii}

**Elected Institutions**

- **The Assembly of Exports**: Assembly of Exports has three duties of select, remove and monitoring the supreme leader. It has eighty-six members who are selected by direct elections and all of them should be clerics.\textsuperscript{xiv}

- **President**: After the supreme leader, the president is the second highest official ranking in Islamic Republic. He is selected by direct election for four years and can serve no more than two consecutive terms. In addition, the council of ministers members are chosen by the president and approve by the parliament. President is the head of executive power and he is responsible to ensure the implementation of the constitution. In practice; however, president power is limited by clerics and conservatives and also by the supreme leader. It is the supreme leader who makes the critical decisions in the country, and not the president.\textsuperscript{xv}

- **Parliament**: The parliament or Majlis has 290 members whom are selected through a direct election for a four-year period; the Guardian Council should approve all the elected members. Each of Zoroastrians, Jewish, Armenians, Assyrian and Chaldeans (Catholic) has one member in the parliament. The main duty of the parliament is legislation; however these laws should all approved by the Guardian Council. This body have to approve the ministers chosen by the presidents and also can Summon and impeach them.\textsuperscript{xvi}

**Should The State Be Based On Islamic Principles Compatible With Democracy?**

While Iranian government have all needed institutions for a democratic republic, which are independent legislative, executive, and judiciary branches, but it also includes some parallel institutions in which clergies have the task of guarding the principles of Islam. The President, 290 members of the parliament and the assembly of experts are directly elected by people. However, one the other hand, all their task is affected by the Supreme Leader and Clergies decisions. As an example, when there is an act by the President that is not pleasant with the Supreme Leader, he shows his discontent in his talks in different assemblies especially in ‘Friday Prayers’ speeches. As when he criticized Presidents Hassan Rouhani’s historic 15-minute telephone conversation with the U.S. President Barack Obama on September 28, 2013 by stating that: “I support the diplomatic initiative of the government and attach importance to its activities in this trip, however, some of what happened in the New York trip was not appropriate.”\textsuperscript{xvii}

Stating such a statement by Khamenei reveal two important aspects in Iranian political system: first, the importance of Supreme Leader’s support or criticism on the work of other government institutions, and second, the fact that he interferes in almost all key issues of the government. Hence, while there is an independency among different government institutions, but they are strongly dependent to the Supreme Leader’s words and decisions. By his critics, almost all other clerics start to criticize and underline the governments operation and this is one of the important aspects of ‘limitation’ in governmental acts. Not only all the decisions and bills should be consonant with Islamic Rule, but also
with cleric’s point of view. The parallel/higher power of clerics with other governmental institutions is significant. Hence, under Iranian theocratic regime, the practical performance of all the elected bodies is limited.

Another important limitation in implementing people’s will under the Islamic government is the way they can choose the President. According to the fifth article of the constitution in the Islamic Republic of Iran, the Guardian Council has the right to pause or terminate the election and do the re-election. Also, only candidates do not oppose Islam and Islamic Government can participate in elections. The Guardian Council should approve the candidates and the Supreme Leader should approve the elected President. The example is the last round of presidency election in Iran in which the Guardian Council has disqualified Ali Akbar Hashemi Rafsanjani from standing in 2013 presidential election. Rafsanjani is one of the key actors and one of the most powerful political figures in Islamic Republic of Iran. He was the one who directed the meeting for Supreme Leader election in favor of electing Khamenei by stating a sentence from Khomeini: “We had a discussion with Imam (Khomeini). We said we do not have any suitable person to be the Supreme Leader instead of you, Imam said of course you have, Mr. Khamenei.”xviii

However, after 2009 Iranian election protests called “Green Movement,”xxx Rafsanjani accused as being involved in the “intrigue” because of supporting two famous faces of this movement: Mir Hossein Mousavi and Mohammad Khatami. Heidar Moslehi, Minister of the Intelligence and National Security, has been stated in this regard “we have exact information that this man (Rafsanjani) has been involved in the intrigue.”xxx Following Rafsanjani’s disqualification for 2013 presidential election, Ali Motahhari, a Member of Parliament, said that “Guardian Council’s approach was more political than legal, they brought two reasons for Mr. Rafsanjani’s disqualification which both are invalid, first his age and second participation in intrigue.”xxi

It is important to note that constitutional and political limitations in the election system of Iran are one of the main obstacles to name the Islamic theocracy as democratic. People should choose among candidates whom are more or less alike each other. There is a great competition among candidates who all are common in their view and belief toward Velayat-e-Faqih and they must wholeheartedly support the continuation of the Islamic state. People can choose their desired President only among governmental chosen candidates. Even after Presidency, they should adhere to Supreme Leader’s and other powerful clerics words. The whole system is based as such a way that no ‘undesired’ candidate would appear at all. In addition, the constitution of Iran is based on “rule of God on People” and not the rule of people on themselves. Elected parts are under the authority of unelected bodies and they rather execute their will rather than people will.

Yet, the premium conclusion would be that the Islamic government and Political Islam are not compatible with democracy in the context of its mechanism. But, however, one can ask what if the majority of Iranians admit Velayat-e-Faqih, the sovereignty of God and the Islamic rule. Do the majority of Iranians agree with the implementation of political Islam in Iran? If yes, then still democracy can be examined under the structure of an Islamic Regime. Providing answer to this question is quite complex. First, one should be careful about if the concept of being Muslim and the concept of supporting for Velayat-e-Faqih would be the same: Are all Iranian religious people supporting the Political Islam? Second, there are some Iranians denying both Islam and Velayat-e-Faqih at the same time and they just
refer themselves as having Iranian identity. Is there a connection between being Iranian and being Religious? A general overview of Iranian Identity would help to investigate the answer of mentioned questions.

**Islamic Identity vs. Persian Identity in Iran**

Islam has brought to Iran after Arab conquest during Umayyad caliphate (661-750 AD). In his book *The Persians: Ancient, Mediaeval and Modern Iran*, Homayoun Katouzian explains that it took around 250 years that the majority of Iranians become Muslims after Arab’s occupied Iran. However, after that Iranian had a great role in using science and literature to expand Arab civilization and Islam. Also, Iranians role in the emergence of Sufism was significant, and this was because of their rich literature. That is Iranians practiced Islam by mixing it with their own culture. Furthermore, by 1500 the Safavid dynasty established Shia branch of Islam and since then, Iranians adopted Shiite beliefs. xxii

Persian identity became mixed with Shiite beliefs during the history. Iranian identity shaped by both being Persian and being Shia Muslim. During the Pahlavi dynasty, the last monarchy in Iran, Persian identity and glamorizing the ancient kings of the old Persia was crystalized. However, after the Islamic revolution the rules and interpretation of Sharia were emphasized. There are even some examples in which Persian and Islamic values interwoven together. In the context of Iranian identity, one cannot define an exact line between being “Persian culture” or “Shia Muslim culture.” A very noteworthy example of combination of the Islamic and Persian values and culture in people’s life is the importance of the Day of Ashura, as a day for the martyrdom anniversary of Imam Husayn-ibn-Ali, the grandson of Prophet Muhammad, whom died innocently at the Battle of Karbala. Every year on this date, Iranians gather to have an elegy together. The importance of Ashura could be noticed by Khomeini’s famous quote “It is Muharram and Safar that kept Islam alive.”xxiii

At the same time, the lament of innocence was a tradition existing in Persian literature. The tragedy legend of Sohrab and Rostam from the Persian epic, the book named *Shahname* of Abul-Qasim Ferdowsi (935–1020) who spent 30 years for composing his poetic book. Rostam is a warrior brave hero who has a beloved horse named Rakhsh assisting him in battles. The story of Rostam ends painfully with the death of Rostam’s son, Sohrab, Unbeknownst by his own hand. Rostam realized the truth - that Sohrab is his own son - too late; when he saw his own arm bracelet on Sohrab. Furthermore, there was a tradition among Iranians that storytellers named Naghal who were singing the stories of *Shahname* for the ordinary people in café’s or on the streets. Later Naghali took place with Taziye, which was a drama of the martyrs of Karbala; as well as the Rakhsh symbol was the successor by Imam Husayn horse named Zuljanah.

The examples of keeping both Persian and Muslim aspects in Iranian identity are much. Iranian New Year is still based on the ancient Persian calendar. They also still celebrate some ancient Persian ceremonies like *Shabe-e-Yalda* that is the Persian winter solstice celebration. On the other hand, they celebrate many Islamic events as well. Most Iranians are nationalistic and Islamist at the same time. According to Hossein Karimifard, the national identity of Iranians consists of three layers: pan-Iranism, Pan-Shi’ism and Modernism. xxiv But the extent of each of these elements is differing for different kind of people. Indeed, the question is if the majority of Iranians assume themselves as both Persian and religious and also if the majority of religious people support the Islamic regime?
There are some empirical research studies done in this concept. According to Mansoor Moadel, using a nationally representative sample of 2,532 adults sample in 2000 and 2,667 adult samples in 2005 in Iran shows a shift in the basis of identity from religion to a nation. Respondents were asked; “which of the following best describes you: I am an Iranian above all; I am a Muslim above all; I am a Kurd, a Turk, or other, above all?” according to this survey, the percentage of Iranians who defined themselves as “Iranian, above all” went up from 35 percent in 2000 to 42 percent in 2005. In the basis of their identity, there are more Iranians prefer the nation rather than religion.xxv

Another empirical research accomplished in this regard is the systematic analysis of support for democracy in Iran, which have been done at the basis of the same nationally representative data sample on 2005. The result shows that higher level of religiosity is providing a higher level of support for the Iranian regime and lower level of support for democracy.xxx This reveals the fact that people whom are more religious believe that they should be the obedience of the political system, because obedience of Velayat-e-Faqih is equal to the obedience of God in their point of view. In addition, the previous mentioned research already revealed that there is an increasing number of Iranians whom define themselves as more “Iranian” rather than “religious.” As a result, there are increasing numbers of Iranians being less religious, less supporting for the current regime and less believing to have democracy in their country. Hence, one can argue that because a considerable number of Iranians are not considering themselves as religious and hence not supporting their government, implementing of the political Islam would not be the demand of the majority of people. It should be noted that these researches are both based on 2005 statistics and there is strong need of updating these information. In the writer’s belief, Iran had many political, social and economic changes since 2005 and the new results would be quite interesting.

Summary and Conclusions

Although the compatibility of Islam and democracy has been proved by the case of Turkey, but the compatibility of democracy and Political Islam need more considerations. In a country like Turkey, people practice Islam under a secular government, however, in a country like Iran Islam and politics are inseparable. Under the Islamic republic’s regime, the sovereignty belongs to God and “He” and “His Profits” plus “His profit successors” are ruling the state. The whole constitution and the government system of the Iranian regime are based on Islamic rules. The Supreme Leader whom being selected indirectly by the people’s representatives (Assembly of Experts) has a great political power and the performance of all directly elected bodies is affected by his decisions and point of view. Under the Iranian theocratic regime, clerics have the main role in all political, economic and social aspects of people’s life and elected bodies function under the authority of unelected bodies. Under such a system with too many defects, democracy cannot work properly. However, the Iranian government justification is that since the Islamic republic the majority of people demanded to have Islamic Republic and because they are Shia Muslims, they admit to have “the rule of God” on their country. This paper showed the inaccuracy of such a claim by studying the Iranian culture as well as discussing two accomplished empirical data about Iranian point of view on calling themselves rather ‘Muslim’ or ‘Iranian’? The results provide the support that while even Islamic practices have interwoven with Persian culture in Iranian peoples life, but the support for Islam and hence the Islamic regime is not strong. This paper strongly suggests the updated further investigations about Iranian’s view toward Islam.


vii Holy Quran, 4:59.


ix 107th to 112th articles of constitution of the Islamic Republic of Iran.


xi 156th to 174th articles of constitution of the Islamic Republic of Iran.


xvi 62th to 99th articles of constitution of the Islamic Republic of Iran.


xviii “Khamenei’s appointment as leader by Rafsanjani,” YouTube, http://www.youtube.com/watch?v=ce2Hwpvt9w8#t=64.

xix Green Movement refers to a political movement arose after the 2009 Iranian Presidential Election in which protests were against disputed victory of Mahmoud Ahmadinejad and in support of two other
candidates, Mir Hossein Mousavi and Mehdi Karroubi.


xxiii Muharram is the first month of the Islamic calendar and the tenth day of Muharram is the day of Ashura. Safar is the second month in Islamic calendar and the 20th day of this month is the 40th day of Husayn ibn Ali martyrdom. In Muslim culture the 40th day of one’s death is important and they lament on this date.

