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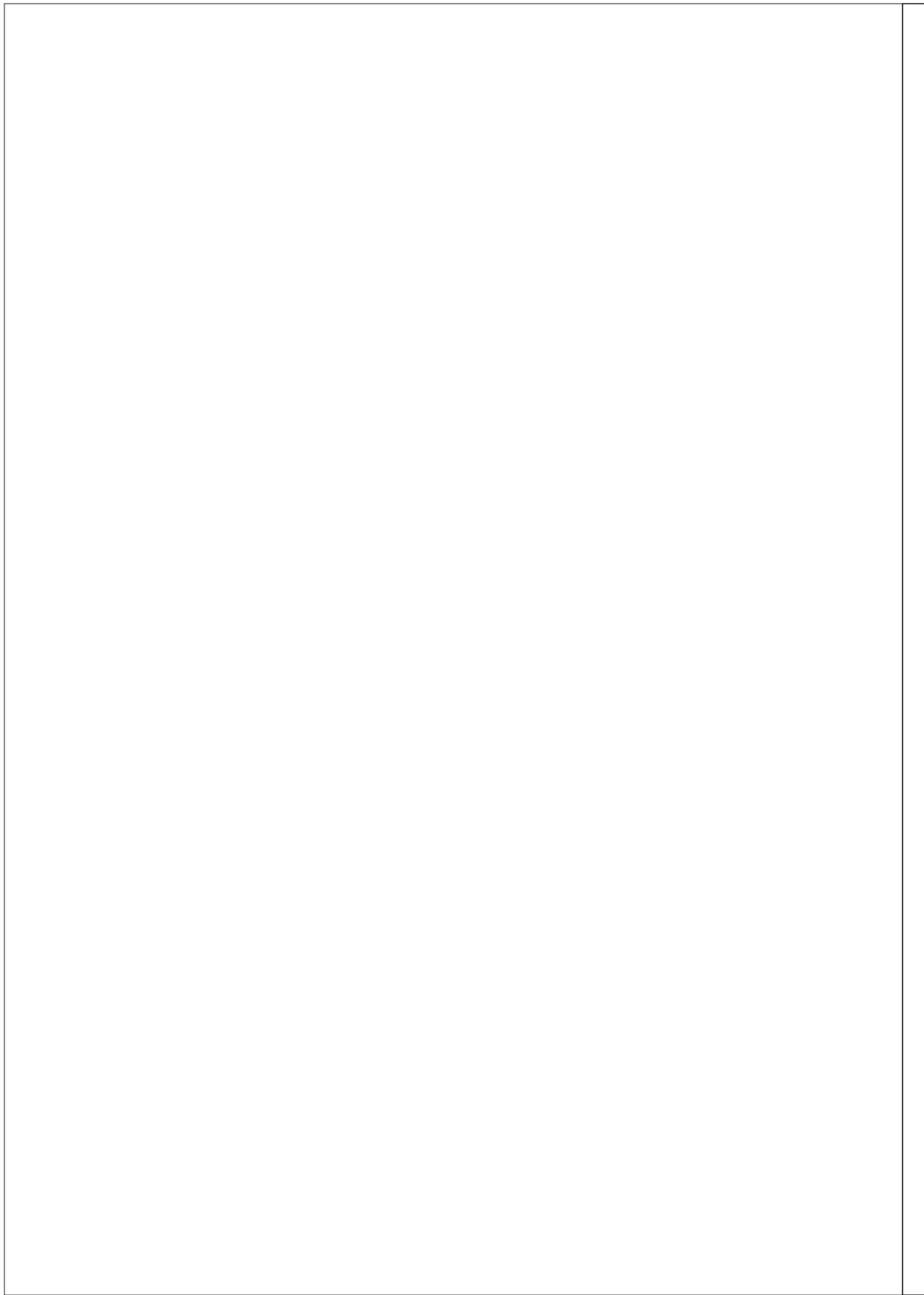
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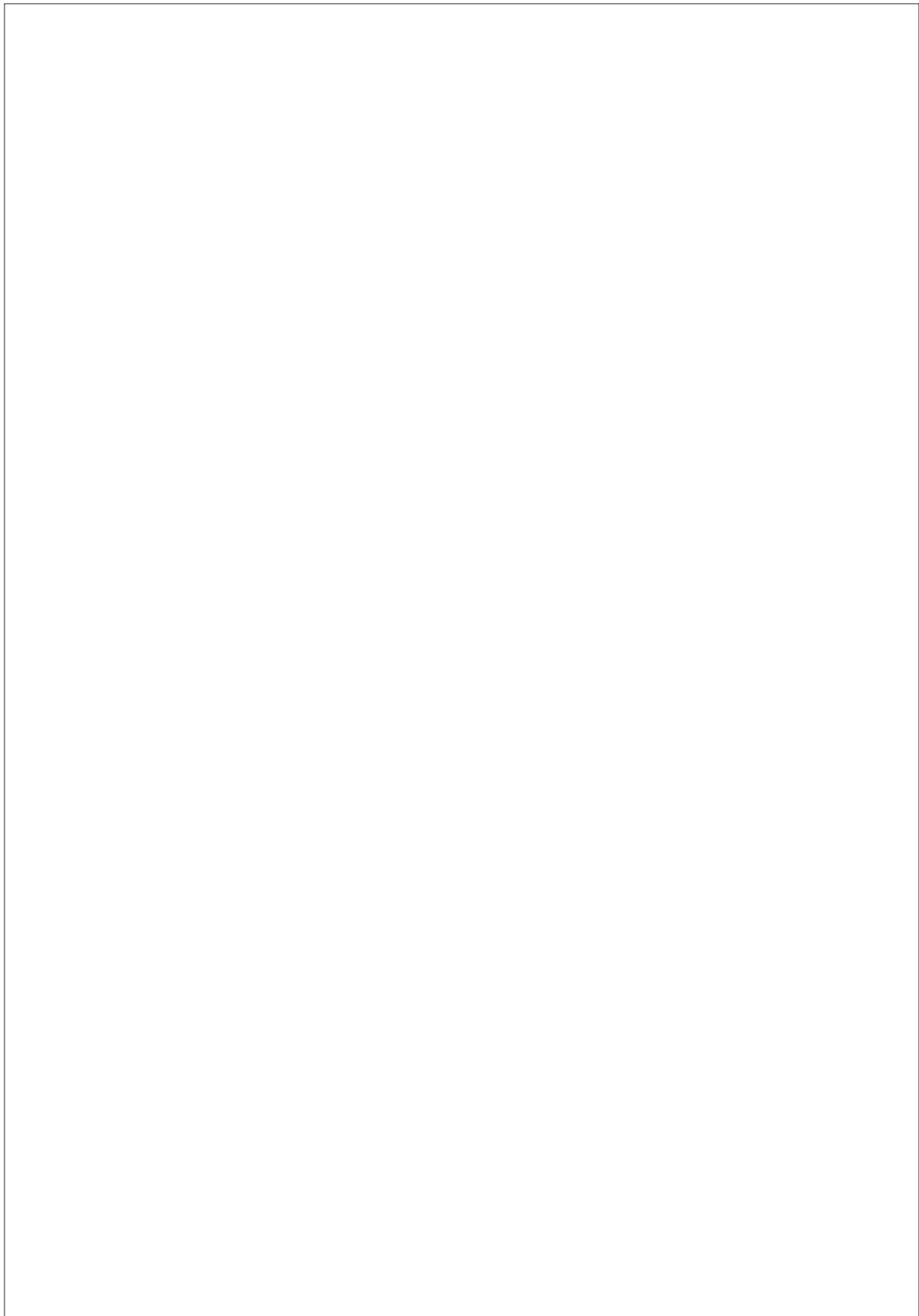
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CONTENTS

<u>Articles</u>	<u>No.</u>
Perception of Private and Public Sector University Employees Towards Work Setting and Productivity in Pakistan <i>Syed Arshad Imam & Fatima Imam</i>	1 - 9
Leadership Styles Practiced in the Selected Textile Companies of Karachi <i>Javed Ahmed Chandio & Rafia Mallah</i>	11 - 22
Gender Differences in Impulsive Buying Behavior and Post-Purchasing Dissonance Under Incentive Conditions <i>Fatima Imam</i>	23 - 29
New evidence in an old debate: Investigating the relationship between Compensation Factors and Organizational Effectiveness <i>Irfan Saleem & Anjum Saleem</i>	31 - 42
A Financial and Quantitative relationship of debt, dividend and insider ownership <i>Abdul Hameed</i>	43 - 53
Factors for Better Selection of Business Universities in Karachi: Perspectives of Students <i>Sherbaz Khan & Shahida Sajjad</i>	55 - 67
External Debts: A Comparative Study of Pakistan in Democratic and Military Regimes <i>Nawaz Ahmad</i>	69 - 75
Failure of IMF Programmes: Causes and Consequences <i>Manzoor Ali Isran, Samina Isran & Najma Noor Phulpoto</i>	76 - 86



Perception of Private and Public Sector University Employees Towards Work Setting and Productivity in Pakistan

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&

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The main purpose of the research was to see how employees in public and private sector universities perceive their organizational setting and what differences exist in their perception for being productive member of the organization. For this purpose two groups were selected one from private sector universities and the other from public sector Universities. A total of 100 participants participated out of which 50 from public and 50 from private universities. Further, the study explored the perception of academicians as being productive member of their organization. Urdu version of Work Environment Scale developed by Moos (1986) and Perceived Productivity Estimation Questionnaire was administered on faculty members of public and private sector universities. The results revealed that a better working environment provided by private university setup is more facilitating factor in overall positive perception of private sector employees. The results also revealed perception of private sector university employees as being productive member of organization.

Key Words: *Work settings, Perceived Productivity, Private and Public Sector University Employees In Pakistan*

Introduction

The relationship between satisfaction with working environment and job performance has very interesting history. Judge (2000) reported in Encyclopedia of Psychology that: “The Hawthorne studies are credited with making researchers aware of the effect of attitudes on performance. Shortly after the Hawthorne studies researchers began taking a critical look at the hypothesis that a happy worker is a productive one.” The most popular definition of job satisfaction was supplied by Locke (1976) cited in Judge, 2000:399 is as” a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experiences”. Locke’s definition emphasized the importance of affect and cognition in determination of third component i.e., behavioral component or action tendency of employees related to various facets of one’s job.

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The working environment exerts a significant impact on job satisfaction and its related outcomes. It is a significant determinant of both productivity and satisfaction level of employees. There has been a deep concern by various investigators in exploring the relationship between the two variables:

Beach, (1998) found more powerful impact of organizational climate over quality of frontline leadership in determination of productivity and satisfaction level of employees.

Haque (1992) designed a study to examine differences in two different work settings for measuring employees' perceptions of social climatic dimensions. The results indicated that the employees of Agha Khan Health care group perceived greater scores on all the subscales of Work Environment Scale than the employees of Business and Industry group.

Shah et al. (1992) examined work values and organizational commitment in private and public sector industries and found a significant difference between the employees of public and private sector industry on job involvement. The result of the study presents the fact that private sector executives were significantly higher on job involvement and public sector executives were low on job involvement.

Mehmood and Khan (2012) identified the factors which influences the job satisfaction of public and private banking sector in Karachi. Both the workers are satisfied with their jobs and the job satisfaction of employees is significantly dependent on pay, promotion opportunities, rewards, and relations with boss and co-workers.

Numerous researchers investigated Job satisfaction and outcomes of the construct and found job satisfaction as related to life satisfaction (Singh, 1990) and positive relationship between overall climate and job satisfaction (Schleicher et al 2004). Maria et al (2005) investigated determinants of sales manager job satisfaction and indicate that human resources practices appear to be the key factor of job satisfaction. Hossain (1996) investigated overall job satisfaction and found open communication, promotional prospects, equity, and job status were more important factors related to job satisfaction. The least important one was salary. Shah & Jalees (2004) conducted research with members of Sindh University employees and found job satisfaction is influenced by the perception of employees with promotional opportunities.

The present study was designed to investigate public and private sector university employees' satisfaction level in their work settings. The respondents

of the study were 50 employees of Public Sector University and 50 employees of Private Sector University. Job satisfaction is related to all those positive qualities that are acceptable both for employees themselves as well as for organizations where they are attached. Because with positive mind set the employees at any organization could become better able to utilize their efficacy level and are better able to translate their potentials into abilities

Objectives

The present study was designed to investigate the perceived differences in satisfaction level in work settings among public and private sector university employees. The study further measures feeling of employees for being productive member in their organization. The main objectives of the research were:

1. To measure differences in perception level of public and private sector university employees towards their work setting;
2. To measure the perception of Public and Private sector university employees as productive member of the organization.

Hypotheses

On the basis of above objectives of research the following hypotheses were formulated:

1. Private sector university employees would be more satisfied in their work setting as compared to public sector university employees
2. Private sector university employees would perceive more productive member of organization as compared to public sector university employees.

Method

Sample

The sample included 100 university academicians. Out of which 50 were selected from Public Sector University, and 50 employees were selected from Private Sector University.

Instruments

Work Environment Scale

The Urdu version of the revised Work Environment Scale (WES) developed

by Moos (1986) was administered on employees of public and private sector universities. The Urdu translation of the revised Work Environment Scale was accomplished by Haque (1992) using backward translation technique. WES has been found to be cross culturally valid measure. It contains 10 subscales that measure social climate of different work settings. The subscales of the scale covers three dimension: 1. Relationship dimension; 2. Personal Growth dimension; 3. System Maintenance and System change dimension. Representative items are: “The work is really challenging (Involvement); People go out of their way to help a new employee feel comfortable (Peer cohesion); Supervisors usually compliment an employee who does something well(Supervisor Support); Employees have a great deal of freedom to do as they like (Autonomy); Things rarely get put off till tomorrow (Task Orientation); There are always deadlines to be met (Work Pressure); Activities are well planned (Clarity); There is a strict emphasis on following policies and regulations (Control); Doing things in different way is valued (Innovation); and The lighting is extremely good (Physical comfort).”

In WES questionnaire on each item the respondents were given True or False options, and to avoid response set biases each subscale contain some of the negatively framed items. The split-half reliability of WES was reported by Haque (1992) and found the scale highly significant. The computed correlation coefficients of ten subscales were: Involvement, $r=.9777$; Peer Cohesion, $r=.9645$; Supervisor Support, $r=.9679$; Autonomy, $r=.9431$; Task Orientation, $r=.9327$; Work Pressure, $r=.9774$; Clarity, $r=.9880$; Control, $r=.9611$; Innovation, $r=.9591$; Physical Comfort, $r=.9471$. The greater scores in WES indicates healthy social climate in a particular work setting.

Perceived Productivity Estimation Questionnaire

The scale consists of 9 items designed to measure perceived productivity estimation, i.e. perception of employees for being productive member of organization. For this research instead of using of their ACR (Annual Confidential Reports) for measuring their productivity subjective mode of inquiry was used. For this purpose 9 items was constructed by using 5-point likert scale covering three dimensions of productivity of academicians in universities: namely research contribution; effective teaching; and overall self-evaluation. Respondents were asked to indicate their perceptions about themselves. Alpha reliability of scale comes .76 which shows it psychometrically sound.

Results and Discussion

Table 1

Means, Standard Deviations, and t-tests on Work Environment Scale of Public and Private University Employees

Work Environment Scale	Work Settings				t
	Private Sector University (n=50)		Public Sector University (n=50)		
	Mean	SD	Mean	SD	
Involvement	8.30	3.45	6.27	4.43	4.39*
Peer Cohesion	5.23	6.34	6.89	2.78	1.89
Supervisor Support	6.78	5.89	5.86	1.98	0.11
Autonomy	5.32	3.11	8.45	2.78	4.01*
Task Orientation	7.78	1.54	5.22	1.89	3.89*
Work Pressure	8.97	2.30	3.19	3.56	4.89*
Clarity	7.66	3.56	5.21	1.77	2.56*
Control	8.23	2.56	5.61	3.23	3.67*
Innovation	9.34	2.89	6.45	1.87	4.11*
Physical comfort	7.56	3.22	6.34	2.43	1.89

* $p < .01$

Table 1 shows comparison of public and private sector employees perception about their work settings that whether they are satisfied with their job setting or not? The results revealed that both the employees' group i.e public and private sector university teachers are satisfied in their job settings but private sector employees show greater scores ($p < .01$) on the six sub-scales (i.e. Involvement; Task Orientation; Work Pressure; Clarity; Control & Innovation) on Work Environment Scale. The greater scores on the scale indicate healthy work environment perception. Both the groups show healthy and positive perception related to their work environment but private sector university employees perceive more Involvement level, more Innovative in performing their task, more task oriented and perceive more work pressure. As well as the university employees of private sector perceive clarity i.e. they think daily routine, rules and policies explicitly communicated to them; they also perceive that rules and policies in private sector is there to keep them under control. Only one sub-scale

autonomy found public sector university employees as perceiving more autonomy over their situation. According to Ellickson & Logsdon (2001):” job satisfaction of employees depends more on environmental factors rather than on personal attributes”.

Table 2

Means, SD and t-values on Perceived Productivity Estimation scores of Private and Public sector University Employees

Scale	Respondents					
	Private Sector Employees		Public Sector Employees		t	p
	(n=50)		(n=50)			
Perceived Productivity Estimation Questionnaire	Mean	SD	Mean	SD		
	40.36	4.67	34.66	7.54	3.54	.01

Table 2 shows perceived productivity estimation scores of Private and Public sector academicians towards themselves. Private sector university employees perceive themselves more productive member of the organization ($p < .01$). The results of present study is consistent with other indigenous evidences where private sector university academicians perceive more satisfied with their working conditions (Saif-ud-Din et. al 2010) and private university academicians are more satisfied with most facets of their job environment than public university academicians (Salman et. al 2012)

One possible explanation for the results came from calculations of differences and similarities of public and private sector universities. The similarities and differences in work settings do exert its impact on its consequences like productivity of employees. One main difference related to work settings in these two sectors is in dimension of clarity in daily routine, rules and policies and explicitly communicated to employees because the situation is diffused and ambiguous in the public sector than in private university. A factor related to public sector university is at the top management level human factor is missing i.e. there is a structured working frame is present but lacking presence of top tangible headship. Sometimes behavior of employees on the job may change because something novel has been introduced into work settings, and this is possible only in private sector.

According to Maslow (1954) hierarchy of human needs physiological needs comes first then safety, social, esteem and in last comes self- actualization need. The principal is that the basic need level must be met in order to get the higher order of needs. When we consider Locke's value –Percept Theory, Locke's theory expresses job satisfaction by this equation:

$$S = (V_c - P) \times V_1 \text{ or } \text{Satisfaction} = (\text{want} - \text{have}) \times \text{importance}$$

When we apply Maslow's theory into Locke's model, the job satisfaction may be understandable in this way that $S = \text{Job satisfaction}$ is equal to the V_c is the need level that is required by employee minus P that is perceived amount of value provided by job and V_1 is importance of value to the individual. Here it is important to note that in this equation the value of V_c , P and V_1 are very subjective and it can vary from one organizational setup to another. For Maslow "self-actualization mean the need of individuals to develop his or her potentialities to a maximum extent. Self-actualizers are then people who make the fullest use of their capabilities". Cited in Saeed (2000). While we consider this concept in Locke's equation for university academicians V_c (which is the need level required by employee) whether they belong to public or private sector is self-actualization, and the value of P which is the provided facilities by the job. While considering V_1 directly related with individual's job satisfaction, we can see that as compared to other public and private sector employees working in other organization, university faculty members are most prone and more concerned towards fulfillment of higher level need satisfaction whether they have or have not other basic need levels satisfied. So in considering V_1 , the university teachers put more value to those benefits only which is responsible for better accomplishment of their academic goals, regardless of the fact they belong to public or Private Sector University.

Conclusion

Although both private and public sector employees have positive impact of their work setting and both have perception of being productive part of their organization but private sector employees scored higher on both WES and PPEQ. The direction is the same (i.e. Positive perception) for both the groups but the differences were larger for the private sector academicians, thereby reaching statistical significance.

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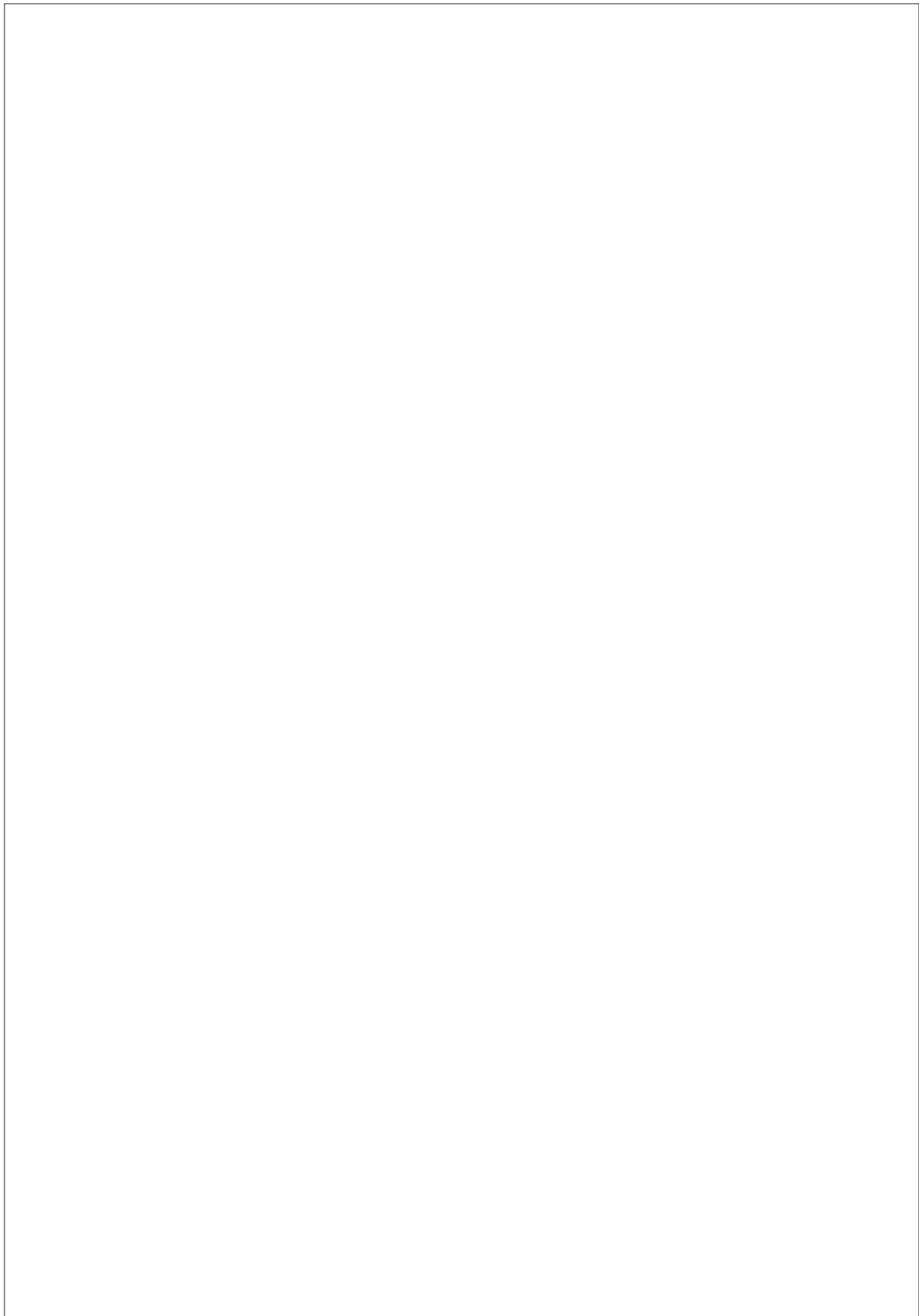
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Leadership Styles Practiced in the Selected Textile Companies of Karachi

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Leadership style has always been an issue in management of human resource. Companies focus on productivity by using the leadership styles they think appropriate. In this paper different leadership styles have been discussed. These styles were then tested through primary research for the selected textile companies of Karachi. It was found that three major leadership styles are practiced in the selected companies. Among them transactional leadership style was the most practiced one. Increase in quantitative performance and qualitative performance were the more frequently cited benefits. Reasons for not practicing other styles were also the same (i. e. quantitative performance and qualitative performance).

Key words: *Leadership, Transformational leadership, Transactional leadership, Distributed leadership*

Introduction

In recent years the problem of a modern manager and how he behaves with his subordinates and maintain the required authority and control at the same time has become an issue. There is a perception that the working environment is divided into leaders and followers. However, recently the concept of group dynamics has emerged as a strong factor. It emphasizes the members as a group rather than individuals and the leader is considered a member of the group. Latest research has established that in decision making participation and involvement are very important. Even the highly directive leadership has been challenged and is getting attention to identify and sort out problems related to motivation and human relations. During the last couple of decades new styles of leadership have emerged and they have exerted their impact quite considerably in terms of employee performance.

Purpose and objective of the study

The purpose and objective of this study were to find out the leadership pattern practiced in selected textile manufacturing units of Karachi in view of different leadership styles that are effective in managerial decision making. The study suggests a framework to find useful in solving the dilemma of leadership styles.

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In this regard we looked at the leadership pattern that can be chosen from and then we took some questions to be answered like how important it is to know what types of leadership is being used at the place of employment. What factors should be considered in deciding a leadership pattern. What differences do the long term objectives can make in relation to short term objectives.

Managerial behavior pattern

In a working environment a manager makes the decision. He identifies a problem and alternative solutions are found. The decision is then communicated to the subordinates. The thought of his subordinates may not be considered by him. Moreover, he does not provide any opportunity for his subordinates to participate in the making the decisions. Coercion, is usually not used while developing the decision. The manager needs to sell his decision. In such cases the manager takes the responsibility to identify the problem and finding a solution. Additionally he convinces his subordinates to accept the decision he takes. He also considers the possibility of some resistance in doing so since the decision may affect some adversely. However, he takes the responsibility to reduce the resistance by telling them the overall positive impact on a long term basis.

The manager invites questions once he presents his ideas. He gives a complete explanation of his ideas and thinking. He arrives a decision based on the fuller feedback of his subordinates. This way the group understands what they are trying to accomplish. The give and take also empowers the team to further explores the implication of the decision. Needless to say the tentative decision is subject to change based on the behavior of the subordinates. The initiative to identify and diagnose the problem lies with the leader. The tentative decision is thought provoking and takes into account the problems that may be encountered by the subordinates. The proposed solution may face different kinds of reactions from the subordinates. He would like to know what the they would have to say about the tentative decision that has been developed and encourage frank reactions, but would prefer to reserve the final decision with himself. The subordinates also get the first chance to participate in the decision making. The manager's initial role is to identify the problem. He may face a number of complaints from the market or general public. His initial reaction is to throw the same to the group and invites about their ideas of the problems that have been raised. As a next step he sets the boundary line and invites suggestions from the group to make a viable decision. At this stage he empowers individual members of the team to make decision.

It is important to appreciate that cooperation and collaboration, common goals, commitment, trust, and mutual caring are main factors in determining the effective decision making. Based on our observations we have found the following:

- Both manager and non-managers may be governing forces in their group's environment. This should contribute to their freedom to perform.
- The group members may share the managerial function without a manager.
- Within the larger organizational context a group may be delegated with authority that can assume responsibility as a unit.

For a possible solution of the problem, the group function may become an increasing repertory for the manager. This would help to capitalize on the knowledge and experience of the less performing subordinates. A manager can relate with the group in a number of ways. At the one end the emphasis is on the manager, on the other extreme it is the subordinate he is supervising. When the peoples are managed in this way a number of questions arise. Can a manager delegate his tasks and get rid of the responsibilities? We feel that the manager must be responsible for the task that he delegates. Along with the responsibility comes the risk as well. Thus he should be ready to accept both. It is also important to know that during the process of delegation the manager cannot pass on greater freedom than he enjoys himself from his own superior. In this kind of scenario he should carefully think over the decision of delegating. During the problem solving process he may ask the group whether his presence would facilitate the process. In certain cases he may leave the group for independent decision making. However, the manager, as an additional member of the group may offer his own ideas. In this case it must be clear that the manager is playing the role of a group member and not in an authoritative position.

It makes a lot of difference for the subordinates to recognize what kind of leadership role the manager is exercising. In many occasion the problem arise because of a lack of clarity in communication. It is very important that the manager is honest in delegating the authority and sincere in his communication to the subordinates. The freedom of a subordinate is not directly related to the number of decision he is allowed to make rather the significance of the decision is more important.

Deciding how to lead

Now let us find out what leadership type is more practical and desirable than others. What factors or attributes a manager should consider while doing so. There are three important factors:

- Forces in the manager.
- Forces in the subordinates.
- Forces in the situation.

We will describe these briefly and will also discuss their influence for a

manager in the correct decision making process. A sensitive manager can better utilize these elements based on their strengths.

1. Forces in the manager: The forces operating within his personality will greatly influence the manager's behavior. The unique leadership problems that he faces will be perceived based on his own personality traits. He will try to deal with the problems based on his background, knowledge and experience. His value system will play an important role in this regard. How strongly does he feel that individuals should have a share in making the decision that may affect them? How he feels about the assumption of responsibility that carries the burden of decision making? His conviction on these issues will help him to make a better decision. His behavior will also be influenced by the relative importance of his opinion about organizational efficiency, personal growth of the subordinates and company profits.
2. His confidence in his subordinates: Managers trust their subordinates to a great variety. This differs from employee to employee as well. While trusting them the managers do consider their knowledge and competence in solving any particular problem. There is a central issue in the decision making on such occasion, who would be the best person to solve the problem. In most of the cases he has more confidence in himself about solving the problem than his subordinates.
3. His own leadership inclinations: There are directive leaders who function more comfortably in a directive environment. Orders to resolve problems are easy for them to give and manage. Some others feel more comfortable to work as a team. As a team member they share their functions with their subordinates in achieving results.
4. His feelings of security in an uncertain situation: The manager reduces the predictability of the outcome if he releases control over the situation. There is a need that some environment offers more predictability and stability of the situation. The managers need to show tolerance for ambiguity and this is increasingly viewed as a key variable in a person's personal attributes.

These variables are brought up by the manager consciously or unconsciously influencing his behavior. He is able to better appreciate what makes him perfect and thus he is able to make himself more effective. Before deciding how to function effectively the manager also needs to consider the forces in their subordinates. He needs to appreciate that like himself, each employee is a human being with its strengths and weaknesses and therefore is influenced by many personality variables. Additionally each subordinate has his own perceptions

about how a manager should behave with him. An effective manager is able to understand these factors better than others.

The manager can allow his subordinates more freedom and empowerment if there is a high need for independence. If the subordinates are ready to take responsibility and show a high tolerance for ambiguity they may be given more freedom. If they are interested in problem solving and feel that their organizational goals are to be preferred, they are right in their approach. They need to learn sharing their opinions while decision making. For an effective manager there is no 'one man's show'.

The confidence of the subordinates in their boss will greatly modify the restrictive effect of many of the forces. The manager is free to vary his behavior once the subordinates learn to trust and respect him. When he needs to make the decision himself he will feel certain that his personality is not perceived as authoritarian. A climate of trust and confidence needs to be developed. If done so, people tend to feel more secure and less threatened in their job.

There are certain other characteristics which may also influence a manager's behavior. These include environmental pressure as a critical factor. Others include the work group, the nature of the problem and time constraints. Like individuals, organizations have values and traditions which inevitably influence the people in their behavior. A new manager who has come from outside soon realizes what kinds of behavior are appreciated and what are not. Any deviation from the practiced behavior in the organization is likely to create problems for him. The organizational values are communicated to the manager in a formal as well as informal ways. The amount of employee participation is influenced by the size of working units, their geographical distribution and the degree of inter and intra-organizational security needed to achieve organizational goals. Sometime the geographical dispersion may not allow participative decision making although this may be desirable. Sometime, the size of the working units or some confidential matter may need the manager to exercise greater control on issues. These factors may compel the manager to act and behave in ways against the flexible norms of behavior.

To ensure the group effectiveness it is very important to see how the working group will act as a unit. The group's experience to work as a unit is very important. The group which has functioned earlier as a team would predictably work more effectively in future as well. People with similar background and interests are expected to work as a team more effectively than otherwise. The degree of confidence that the team members have is a key consideration in their ability to solve problems. Group variables such as cohesiveness, permissiveness,

mutual acceptance and commonality of purpose are expected to exert powerful influence on the group's functioning.

Sometime the nature of the problem determine the authority to be delegated by the manager. Needless to say he will analyze the kind of knowledge and expertise needed to solve the problem. It will be inappropriate to assign a problem to a group for which it has no previous experience to handle. In view of the increasing need to solve the problem effectively, the manager requires knowledge of specialists from different fields. Therefore more complex a problem is more anxious a manger to get some assistance on this issue.

Pressure of time is probably the most clearly felt pressure on the manager. In case of a need to take immediate decision, it is difficult for the manager to involve other people. In organizations which are on a constant state of crisis the manager uses high degree of authority. When time pressure is less it is easier for the manager to delegate authority to his subordinates.

The above factors are the principal forces that impinge on the manager for his tactical behavior with his subordinates. His behavior would be justified by most effective achievement of his immediate goal within the available limits. It is obvious that a manager's choice for leadership pattern is limited. He needs to take into account the forces and limitations. For a long term perspective his thinking is transformed from tactics to strategy. He may gain new insights or skills for himself, impart training for individual subordinates and provide participative experiences for his team members. For attaining his objectives he largely depends upon the accomplishments. He wants to raise the level of employee motivation, increase the readiness of the subordinates to accept change, improve the quality of managerial decisions, develop teamwork and morale, and to further the individual development of employees.

Managers often feel bewildered due to flow of advice on how best to achieve the long run objectives. However, he may has some guidelines. Most research and much experience form a strong factual basis that a high degree of subordinate centered behavior is associated with the accomplishments. To provide the individual or the group with more freedom and empowerment than they are ready for may generate anxieties and may inhibit the achievement of desired objectives. But the manager should continue his efforts in the right direction for attaining the organizational objectives and goals.

Literature review

Bass (1997, 1998) view transactional and transformational leadership as

brainchild of Burns' (1978) philosophy of transforming leadership. Khanin (2007) analyzed both the authors. According to Khanin, political movements were the basis for Burns ideas, while military training was the basis of Bass for his approach. The author cautions about the following of these two approaches since they describe the limitations of transactional - transformational paradigm. He warns their adoption since they are incongruent in leadership context. According to author Burns and Bass differ in the characterization of leaders. Burns' leaders exhibit authenticity, self awareness and receptivity While Bass' leaders display optimism, extreme self confidence and adaptability. Burns' leaders are low on consensual orientation as compared to Bass' leaders who are high in this attribute. Suryani, et al. (2012) analyzed leadership attributes in Indonesia using mixed methods. They conducted three studies. They found that in Indonesia there are to components in leadership.

First is a local modernized dimension ranging from traditional benevolent paternalism to modern transformational leadership, the second one is a team oriented leadership dimension. Eisenbeiß and Boerner (2011), analyzed transformational and charismatic leadership. They found that transformational leadership promotes followers creativity and at the same time increases followers dependency. As a result their creativity is reduced. Leitch, McMullan and Harrison (2012) emphasize that leadership is attributed to individual leader's social and organizational domain.

The authors think that there is an emergence of social capital theory of leadership development. The authors have explored the entrepreneurial leadership pattern and the social process. They have found that the human capital enhancement is related to the development of social capital. The authors proposed that leadership pattern should be extended to include institutional capital. Herrmann and Felfe (2012) have talked about transformational leadership style. According to the authors it enhances employees' creativity. However, they have argued that creativity technique is important in giving the stimulus for creativity. The qualitative and quantitative creativity output is related to the creativity technique as well.

The authors finally concluded that transformational leadership and provocation technique resulted in higher level of qualitative creativity. They have also found out that transactional leadership and brainwriting are more effective to produce quantitative creativity.

Additionally personal initiative of the leader had a significant contribution in the creative output.

Yang, Zhang and Tsui (2010) studied the relationship transformational leadership and employee performance. The authors concluded that

transformational leadership may provide good returns for the organization. They also suggest that through training and cascading process, leadership practices may become a collective phenomenon. According to the authors management should empower managers to become coaches and mentors of the juniors. Leadership development includes the personal attributes including the cultural values of the subordinates as well. Krogh, Nonaka and Rechsteiner (2012) studied the role of leadership in knowledge creation. The authors developed a new leadership framework for knowledge creation. According to the authors leadership is distributed and tied to the self organized group processes. Leadership is influenced by what people actually do at the time of knowledge creation. Previously knowledge creation and leadership were viewed as two separate entities though mutually influential processes.

There is an integrated view of different roles of leadership e. g. knowledge processes, context and knowledge assets. Felte and Schyns (2010) discussed about the role of managers and supervisors influence the attitudes of their followers particularly in terms of satisfaction, commitment, performance and turnover intentions. The authors evaluated the perceptions and attributes of followers and found that supervisors personality and the perception of leadership provides support for the followers. The authors have concluded that transformational leadership has proved to be effective in the organizational outcome. Aasland et al (2010) investigated the prevalence of destructive leadership styles and found that laissez-faire leadership behavior was the most destructive leadership behavior followed by supportive disloyal leadership and derailed leadership pattern. However, they have finally concluded that leadership is a combination of constructive and destructive style and the blend cannot be separated individually.

Thorpe, Gold and Lawler (2011) addressed the issue of distributed leadership. They examined a number of key concepts, ideas and themes in this regard and highlighted the insight they received through their study. The authors have defined distributed leadership as conjoint actions rather than role or position. It is considered as an emergent phenomenon. The spread is considered across and among different groupings, from dyads to more extensive distributed leadership across and beyond boundaries of formal organizations. It is a broader concept of community.

The authors have also highlighted the similarities and differences between distributed leadership and 'shared, collective, collaborative, emergent and democratic leadership. Cope, Kempster and Parry (2011) explored distributed leadership in small businesses. The authors found that distributed leadership can

bring opportunity to maturing businesses. They illuminated a dilemma for entrepreneurs whether they should give up control for a broader distributed process of leading or continue a practice of leading that resonates with their essence of being entrepreneurial, independent, controlling responsive and opportunity driven.

The author addressed this dilemma and suggested contextualization that distributed leadership may offer in maturing businesses.

Method

In view of our discussion and literature review we decided to restrict our survey on three potential style of leadership. These are: transformational leadership, transactional leadership and distributed leadership. We decided to find out how they are practiced in Pakistan and whether practiced at all. In this context following hypotheses was formulated:

H1: Transformational leadership is the most practiced leadership style in the textile industries of Karachi

H2: Transactional leadership is the most practiced leadership style in the textile industries of Karachi

H3: Distributed leadership is the most practiced leadership style in the textile industries of Karachi

To conduct the survey a predesigned questionnaire was developed. The sample size included 100 middle managers of ten textiles manufacturing units of Karachi. Ten managers were selected from each company based on convenient sampling method. Period of survey was the second fortnight of November, 2012.

Result

Transformational leadership	12
Transactional leadership	46
Distributed leadership	27
Others	15

Based on the above finding we may say that H1 and H3 are rejected while H2 is accepted.

Table: Benefits of leadership style				
	Transformational leadership	Transactional leadership	Distributed leadership	Others
Increase in quantitative performance	12	46	27	15
Increase in qualitative performance	12	39	21	9
High moral	12	28	21	7
High motivation	12	33	21	7
Loyalty to the organization	12	20	21	7

Table 3: Disadvantage of leadership style				
	Transformational leadership	Transactional leadership	Distributed leadership	Others
Decrease in quantitative performance	77	54	73	85
Decrease in qualitative performance	25	39	42	55
Low moral	18	43	39	42
Low motivation	18	43	30	42
Disloyalty to the organization	18	43	39	42

Analysis and Conclusions

In view of the above discussion and survey findings we conclude that a successful leader is keenly aware of the forces most relevant to his behavior at any given time. He has a keen understanding of his capabilities and limitations and also able to assess the same in his work groups. He is able to see the broader goals of the organization he works for and strives for growth and prosperity for his subordinates that ultimately benefits the organization. Additionally a successful leader in light of his perception is able to behave appropriately. He is able to direct, coach and freedom and empowerment are needed that is ready to delegate the same.

Thus a successful leader is neither a strong leader nor a permissive one. He is a person who primarily focus on scores and achievements. He accurately assesses the forces determining the correct behavior in any given situation. Since he is insightful and flexible, he is less likely to see the problems of leadership as a dilemma.

As far as our survey is concerned transactional leadership is practiced more than others. Our literature review shows that transformational leadership style is the most effective one. But this leadership style is not a favorable one among the sampled population. We are of the opinion that there is a wrong perception about transformational leadership in the sampled population. This perception can only be reduced through education and experience.

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Gender Differences in Impulsive Buying Behavior and Post-Purchasing Dissonance Under Incentive Conditions

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This field study investigates gender differences in impulsive buying and post cognitive dissonance under incentive conditions. A total of 72 male and female customers at Metro shopping center participated in the study. Judgmental sample was extracted and data was collected in two phases. As hypothesized on the basis of previous research findings the female customers experience greater post-purchase cognitive dissonance under condition where incentives were provided by marketers. The researcher approached the customers after purchasing have been completed and administered the questionnaire. In second phase of study the researcher floated the Post purchase cognitive dissonance Questionnaire through e-mail to same participants. It is interesting to note that although there exist gender differences on post purchase dissonance scores as a consequence of unplanned buying but working women perceive less post purchase regrets as compared to non-working women. The results are explained in terms of cognitive dissonance theory.

Key words: *Impulsive Buying Behavior, Post Purchasing Dissonance, Incentive conditions, Male and female customers*

Introduction

Impulsive buying behavior has been extensively investigated by several researchers and found it as a widely determined phenomenon. One basic fact related to human behavior is that every human being exists with varying degrees of unplanned or spontaneous purchasing behavior dependent on different factors. The term impulsive buying refers to an unplanned or spontaneous purchase meaning an unplanned buying. According to Neal, et al. (2005) impulsive buying may be defined as :”Purchases made in a store that are different from those the consumer planned to make prior to entering the store”. When this unplanned purchase comes as a consequence of a provided incentive then definitely it involves lack of rationality or alternative evaluation. Usually this type of impulsive buying is greatly linked with cognitive dissonance and post-purchase regret. The present study investigates the gender differences in impulsive buying behavior and post-purchase cognitive dissonance.

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According to Festinger's (1957) theory of cognitive dissonance when subjects are induced to indulge in a behavior with little justification, their post-experimental attitudes usually involves cognitive dissonance state of mind. Cognitive dissonance theory is basically based on the assumption that people try to be consistent. Whenever people engage in behaviors they do not believe in, they experience uncomfortable state of mind because their behavior is inconsistent with their beliefs, opinions, knowledge and values. Baron et al. (2007) states that: "An internal state that results when individuals notice inconsistency among two or more attitudes or between their attitudes and their behavior."

Culture as a factor could affect cognitive dissonance (Kacen & Lee, 2002). A study conducted by Heine and Lehman (1997) cited in Baron et al. (2007; pp.158) explained the existence of phenomenon universally, but individuals in western culture experience cognitive dissonance more as compared to their Asian counterparts. The role of commitment and choice is important in two ways. First, it contributes to dissonance arousal and secondly, it measures the intensity of dissonance aroused. There is an unusual answer for cognitive dissonance by explaining less-leads-to-more effect. If there are strong reasons for indulging in attitude discrepant behavior then the magnitude of aroused dissonance would be weak as compared to reverse situation. A number of experimental evidences in support of cognitive dissonance prediction are available (Riess & Schlenker, 1977; Leippe & Eisenstadt, 1994) cited in Baron, et al (2007; p.161).

The cognitive dissonance is aroused as a consequence of impulsive buying under conditions where the customers were provided incentives for engaging in behavior that is desired by marketers. Wood (1998) examined the impact of impulsive buying on post purchase dissonance and reported that majority of respondents experience regret and anger. Numerous studies examined the effect of gender on impulsive buying reporting that female customers indulge in impulsive buying more than male customers (Roberts, 1998; Coley & Burgess, 2003; Lin & Lin, 2005; Norum, 2008; Lai, 2010) cited in Saleh (2012).

Gasiorowska (2003) reported male customers' buying behavior is instrumental in nature. According to him male buyers prefer minimal level of engagement and finish the purchasing process fast. Another study by Imam (2012) also reports that as compare to male customers female customers took more than double time to purchase the desired products. The researcher explained that on the basis of their more articulated or differential cognitive style male customers took lesser time in shopping. Gasiorowska concluded that male buyers do unplanned buying without much involvement and took a quick decision regarding purchase.

Method

Subjects

A total of 72 male and female customers participated in this field study, where purchasing behavior of subjects was provoked by provided incentive at Metro superstore. The data was collected by judgmental sampling technique. The criteria set for the selection of subjects was based on two main visible factors: 1) researcher approached only those male and female customers who come alone without their partners in order to measure their own decision in buying behavior; and 2) the researcher approached only those customers who indulged in impulsive buying as a result of provided incentives.

Procedure

In the first phase of study the researcher approached 100 male and female customers who meet the set criteria for subject selection. In the second phase the researcher floated 100 questionnaires and received only 72 dully filled in questionnaires in order to measure post- purchase cognitive dissonance as a consequence of impulsive buying. Eight incomplete questionnaires and twenty unresponsive participants of first phase were excluded from the study. Data was collected in two phases. In the first phase the researcher approached male and female customers who indulged in impulsive buying and administer Impulsive Buying Questionnaire, and obtained their contact numbers and e-mail addresses. In the second phase of study the researcher floated post-purchase cognitive dissonance Questionnaire.

Measures

Impulsive Buying Questionnaire:

An impulsive buying Questionnaire was designed containing total five questions offering yes/no mode of answering. The query tapped the content area that the customers indulged in buying behavior as a result of incentive provided by marketers.

Post-Purchase Cognitive Dissonance Questionnaire:

The questionnaire contains 9 items measuring post purchasing cognitive dissonance state of mind. The questionnaire items were framed by using likert 5-point scale ranging from 1=strongly disagree to 5=strongly agree. Cronbach's alpha coefficient of the scale reached 0.69, showing a satisfactory level of reliability.

Results and Discussion

All 100 participants of first phase of study were asked to complete the

questionnaire. Cleaning of data and elimination of respondents due to uncooperative behavior and incomplete questionnaire resulted in a final sample of 72 customers. The data was analyzed in two dimensions: the first was to measure gender differences on post-purchase cognitive dissonance scores and second to see the differences in post-purchasing regrets among working and-nonworking women as the phenomenon become visible during data analysis.

Table 1

Characteristics of Sample	frequencies	%
Gender		
Male	30	41.66
Female	42	58.33
Social Class		
Upper Middle (50,000-1,00000)	35	48.61
Upper (1,00000 and above)	37	51.38
Marital Status		
Single	07	9.72
Married	65	90.27

Table 1 shows frequencies and percentages of study sample characteristics.

Table 2

Showing Means, SD and t-values of male and female customers on Post-cognitive Dissonance Questionnaire.

Scale	Customers					
	Male (n=30)		Female (n=42)		t	p
Post-purchasing cognitive Dissonance Questionnaire	Mean	SD	Mean	SD		
	32.0	3.54	40.1	6.27	5.28	.001

Table 2 is based on hypothesis of study which explains women experience more post-cognitive dissonance ($t=5.28$ $p<.001$) after indulging in impulsive buying as compared to male customers. Previous researches provide support to the current finding. Coley & Burgress (2003) found gender as mediating factor in establishing relationship between unplanned buying and post-purchase dissonance. The results showed more feeling of regret perceived by female

customers as compared to male customers. Saleh (2012) investigated relationship between unplanned buying and post-purchase regret and found unplanned buying is positively associated with female post purchasing regrets. Numerous researches found many factors influences impulsive buying including gender, emotional intelligence and cultural influences. Chuang and Lin (2005) reported a strong relationship between emotional intelligence and impulsive buying behavior. The study found that people with high emotional intelligence show significantly lower impulsive buying behavior. Gasiorowska (2003) in their research explain nature of male customers impulsive buying and connected it with their monetary attitudes where their current behavioral attitude affects their future buying decisions. Imam (2012) investigated effect of cognitive styles on purchasing behavior of male and female customers. The results concluded that males show more analytic modes of thought i.e. differentiated cognitive style than female customers and males take less time in selecting desired item from market.

Table 3

Table 3 showing means, S.D and t-values of working and nonworking female customers on post purchase cognitive dissonance questionnaire.

Scale	Working Female Customers (n=18)		Nonworking Female Customers (n=24)			
	Mean	SD	Mean	SD	t	p
Post –purchasing Cognitive Dissonance Questionnaire	35.61	6.0	43.1	7.27	4.54	.01

Table 3 is showing differences of female customers on the grounds of their working status. It has come to knowledge during data analysis that there exist differences on post-purchase cognitive dissonance score among working and non-working female customers. The results shows that working women experience less dissonance as compared to nonworking customers ($t = 4.54, p < .01$). The results may be explained in terms of these implications of study. The first explanation is related to a situation of insufficient justification. The second is related to responsibility for consequences. The very interesting explanation of dissonance theory is related to incentive level that is provided to produce attitude change. If the provided incentive is less for indulging a counter attitudinal behavior, the more dissonance is experienced. The second explanation for the results may be related to responsibility for consequences. According to this principal of cognitive dissonance theory if a person feels responsible for all consequences dissonance greatly occurs. In case of our results as the female

customers took unplanned purchasing decisions individually, and although they have handsome amount for purchasing but when we compare working and nonworking customers results it become understandable that why nonworking experience more post-cognitive dissonance as they don't have their own earnings so they might feel more responsibility for consequences.

Conclusion

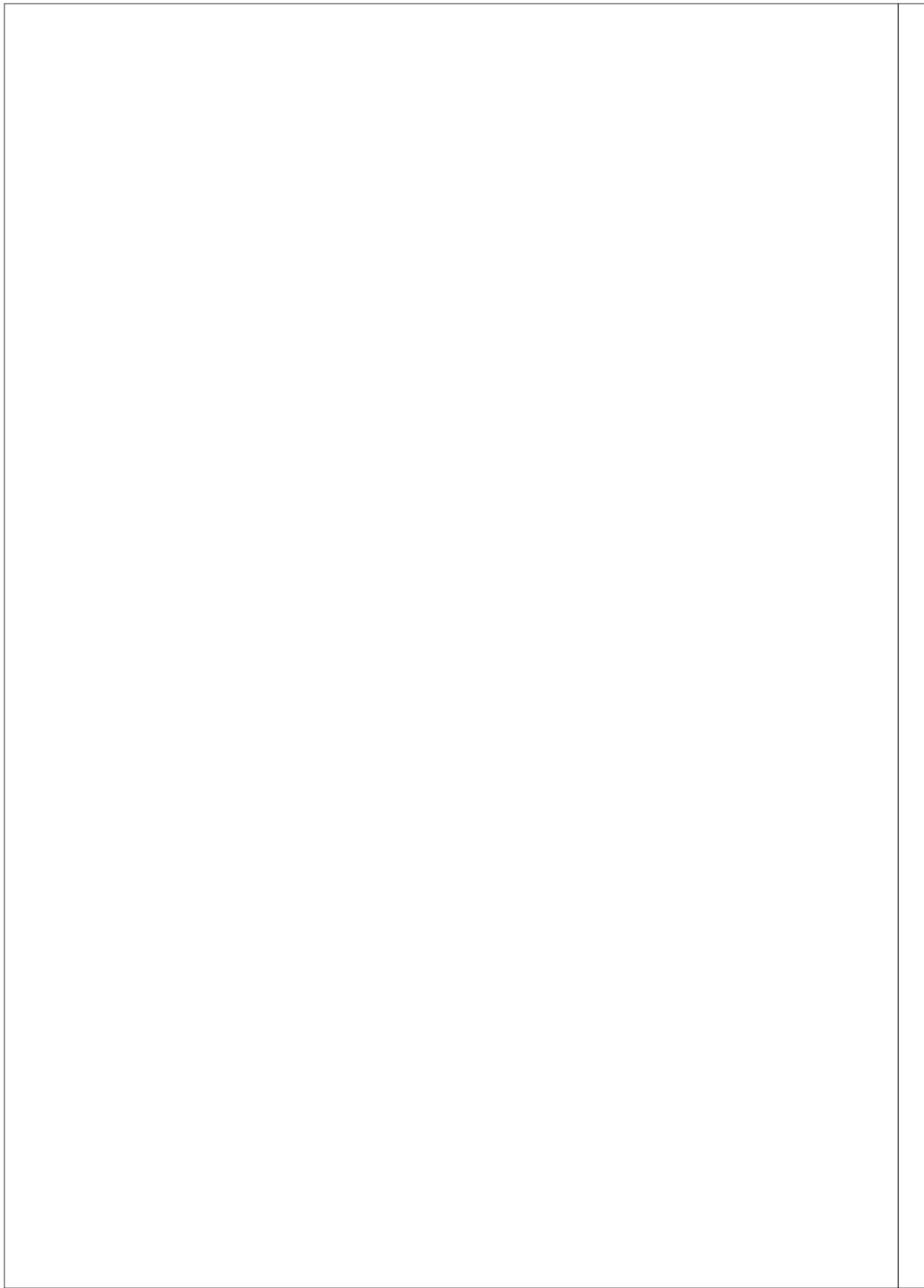
The present study was designed to investigate differences among male and female customers related to impulsive buying which is of great interest for marketers. To attract their potential customers several handsome incentives are provided by marketers. As female customers' buying behavior pattern is usually emotional so it was expected that they fall trap of these marketing strategies more as compared to male customers. The findings of present study come true according to expectations, showing that female customers experience more post-purchase dissonance after indulging in unplanned buying. Another consideration for the result might come from fact that male customers usually consider instrumental performance of the product, whereas female customers are keen towards symbolic or affective performance of a product. And if dissatisfaction occurs after impulsive buying then intense negative emotional response occurs which readily convert into regrets. The further analysis based on sub objectives of study reveal a very interesting comparison between working and non-working customers i.e. working women reported less dissonance after doing impulsive buying as compared to non-working women.

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New Evidence in an Old Debate: Investigating the Relationship between Compensation Factors and Organizational Effectiveness

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Purpose of this research study is to identify compensation factors and their integration with on overall Organizational Effectiveness at Telecom companies of Pakistan because of emergent issue. Telecom organizations are looking ways to improve business performance by focusing on innovative ways to acquire cheap labour. In Pakistani economy, still gap exists. Thus scholars need to address the research issue of aligning employee's goal with the organizational goal in order to maximize organizational effectiveness of the organization. Telecom sector of Pakistan has been chosen to test the model because of sustainable growth since last decade. Sample is collected from the five cellular companies of Pakistan. Results depict significant integration among compensation factors and organizational effectiveness. Research implies that compensation factors can be designed in a way that integrates HR related organizational policies, rules and procedures. Study also shows that paying attention on the employee's compensation factors is necessary to retain competent employees for enhanced organizational effectiveness. Lastly, future research studies can extend this research by incorporating organizational culture and employee commitment as mediating variables. The research implies that HR practitioners need to incorporate innovative compensation factors for enhanced organizational interests which intern can boosting overall organizational effectiveness.

Keywords: *Compensation Factors, Organizational Effectiveness, Cellular Companies*

Introduction

Telecom sector in Pakistan is prospering and enjoying economies of scales. Nonetheless due deregulation by the Pakistani government institute in the last few years made it an attractive place for the new entrants. More recently Pakistani market is getting saturated for telecom sector. In telecom industry competition is

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increased and only those companies are looking for the ways to survive through innovative HR practices and strategies. Companies can provide quality service to customers, once understood customer need. Once understood needs the company need to be prepared for human capital for competitive advantage with and through people. Once focused on human capital i.e. Employee's Skills, Knowledge and Ability, company need to retain competent employees through innovative compensation plans by incorporating significant compensation factors. Cellular mobile companies have to make their operations effective in order to deliver high quality services to address the tough competition. Employees play vital role in achieving this objective because employees are backbone for any organization for sustainable competitive advantage. Organizational effectiveness has significant importance in developing the organization business (Aydin & Ceylan, 2009).

It has become the major concern of the companies that actually helps them to increase their performance as well as the profitability. We may capture the best performance through effectiveness of organizational resources. Organizational effectiveness is effective achievement of organizational goals; however it is impossible to measure the level of effectiveness (Malik, Naseer, & Malik, 2011). In telecom sector, Employees are the most imperative part in providing the services to the customers because they are directly connected to the customers and at the same time by performing their duties they act as the representatives of the company in building the strong relationship with the customers. It makes the memory based association with the customers and also increases the loyalty of the customers but this is only possible if employees are willing to put their best effort to make the customers happy and they will do it if they are satisfied with their jobs. Work environment, Personal growth and Compensation may be the key factors for employees to be motivated and dedicated in performing their tasks with full efficiency and effectiveness. If the employee of the organizations are satisfied with their compensation, then they may be motivated towards task achievement, goal attaining and enhance the overall performance of the organization eventually.

Sometimes employees become the competitive advantage for the organizations if they perform effectively and recognized by the organization. This recognition of the potential for human assets of organizations to provide competitive advantage, many academic authors have applied the resource based view to understanding the role of HR in organizations. For example, Wright, McMahan, & McWilliams (1994) used the resource based framework to examine how a firm's human resources can be a source of sustainable competitive advantage. In this era the main goal of organizations and businesses is to become

successful and have aspiration to achieve the stable growth. Organizations are facing challenges regarding employee retention, rather than many other issues such as organizational size, use of technology etc. Today's the managers are focused on building the positive relationship with their customers as well as a strong bond between employees and their organizations by looking at the various aspect to make them satisfied. Compensation structure may play an important role in retaining efficient employees in order to minimize the turnover ratio as well as performing their best. Our area of research in telecom industry is to look for if compensation factors affect the organizational effectiveness. We have selected two companies i.e. Telenor and Mobilink.

Our area of interest is to determine the impact of compensation structure on organizational effectiveness that how organization manages to achieve its targeted goals efficiently and effectively through its compensation program. It is observed that organizations that are similar in their organizational size, infrastructure, business, do differ in their compensation design to achieve effectiveness. Telenor and Mobilink both try their best to serve the human resource to gain organizational effectiveness. They have competitive compensation design to attract and retain efficient employees which in turn would lead to organizational effectiveness. In order to define compensation design we have taken the measures of basic pay, pay level, incentives and benefits. It is observed that in order to meet the needs of both the parties i.e. employer and employees, a strong relationship should be there between these two to increase the working efficiency: that's why compensation structure should be designed in a way that would beneficial for both the parties (Ali, 2009). The management of the organization expects that their employees perform their assigned tasks perfectly and in return employees expect from their organization to give them fair compensation structure.

There is no criteria that can measure the exceptional performance of the employee but effective compensation structure may serve as a huge motivator for the employees. However employees can also consider other components as well in their compensation design e.g. various benefits, incentives and facilities offered by the organizations. These are offered just to make employees feel good about their own organizations while making the comparison with other organizations in which these benefits are not offered. It is important to implement the compensation design properly as per mentioned in the organization policies on all grounds, otherwise it may create less motivation, disloyalty and job dissatisfaction. The effective compensation policy should be aligned with the organizational goals and objectives that every effort generated by employees would ultimately lead to organization effectiveness. Thus compensation is an important integer to motivate

and control the working efficiency of the employees. The design of this research paper consists of various sections i.e. literature review, theoretical framework, research thesis and the conclusion paragraph which also includes managerial implications and future research directions.

Literature Review

This study discusses various examples that portray the relationship between the compensation structure and their impact on organizational effectiveness through employee performance and also a relation reflection between these two variables. This section focuses on important variables discussed under prior research. The dependent variable is Organizational Effectiveness and the Independent Variable is compensation structure which is consisting on basic pay, Bonus, pay level and other benefits.

Organizational Effectiveness

Effectiveness means how organizations intend to make maximum output with minimum input of their resources. A group of people that gathers for a particular reason is usually recognized as organization and attaining the assigned results within available assets is consider as effectiveness (Malik, Naseer, & Malik, 2011). When we measure the organizational effectiveness, we consider some important factors such as focusing on employee orientation, the level of customer satisfaction and the most importantly organizational growth (Aydin & Ceylan, 2009). Organizations should emphasize on enhancing the learning ability as more the organization would be able to learn, more improved behaviors would be generated that would help organizations to perform their activities more effectively (Aydin & Ceylan, 2009). An organization is said to be effective if it's achieving the affirmed goals (Noruzi & Rahimi, 2010). Organizational effectiveness has an important impact in accelerating the organizational overall development (Aydin & Ceylan, 2009). Organizational effectiveness is the perception of how effective organizations are in attaining the desired outcomes, which the organization means to produce. (Malik, Naseer, & Malik, 2011). Increasing organizational effectiveness has a huge impact in boosting the development of the organization where behavioral knowledge and practices help organizations to achieve greater effectiveness and efficiency and is mostly used as dependent variable (Aydin & Ceylan, 2009). Organizational effectiveness is achieved in various forms that help an organization to flourish in various directions. It could be lesser turn-over rate, higher performance level or high motivation of the employees on the workplace.

There are certain attributes defined by various authors to assess and measure the

organizational effectiveness (Noruzi & Rahimi 2010). These attributes may be adoption of external environment, monitoring of internal environment, Stability, voluntarism and achievement. This also includes environmental orientation, optimum allocation of resources, goal realization, flexibility, productivity, cohesion, and efficiency. Some approaches are used to measure approaches are goal-attainment approach and system resource approach (Yuchtman & Seashore 1967) to quantify Organizational Effectiveness. Goal attainment approach depicts the concept of goal oriented organizations which are deliberately rational and motivated to fulfill their set goals. Their main focus is on attaining organizational internal objectives and employee performance. Goal attainment approach includes profit and productivity maximization. Another approach named System resource approach describes the criteria of representing an open system within the organization and it reflects the concept of interrelated sub systems within the departments of the organization. It is not likely to the goal oriented approach and when organizations are not goal oriented they try to focus on maintaining internal systems to give the best output. The backdrop in Organizational Effectiveness predicts that this variable needs more investigation in developing economies like Pakistani setting. Consequently, Organizational Effectiveness is taken as response or dependent variable for this study.

Employee Compensation

Salary plays as a motivational factor for employees even if they tend to deny from this fact on face value but when asked to report anonymously, they do admit that salary matters a lot in influencing their motivation level (Rynes, Gerhart, & Minette, 2004). Employees generally underestimate the value of money when asked to self-report the importance to them but when it comes to interpreting their performance and struggle for work, it really works as a motivational factor. However it is observed that only salary does not have the influential effect on achieving the desired output, authority in making decisions and interesting work also leads to great performance. Salary serves as a motivational compensation package for employees when it is competitive and when it varies directly towards the performance level. Compensation factors become more competitive when organizations monitor the attitude and behavior regularly and design their compensation policies accordingly. It has been observed that incentives and increments which are in the form of cash serves as a more attractive tool for employees as compared to other non financial tools (Rynes, Gerhart, & Minette, 2004). Companies that do consider the seniority and experience of employees and give competitive compensations accordingly have high retention rate thus leading towards more commitment with the organization. Compensation policies vary from organization to organization where some of them prefer individual work and some encourage group work. Here, incentives over good performance are considered more

attractive to motivate employees. Some organizations consider variation in basic pay which could be a good compensation. However compensation package should be a mixture of rewards, bonuses, market position (companies pay versus competitors pay).

H1: There is integration between Employee Compensation and Organizational Effectiveness.

Employee Compensation factors

For this research study explanatory variable i.e. compensation structure that is further investigated as explanatory variable, but limited to four major elements including pay level, basic pay, bonuses and other benefits to see if an employee is satisfied with all its compensation structure then what is its impact on organizational effectiveness that directly influence the overall performance of employees within the organization and eventually resulting in increased organizational effectiveness. Compensation is the monetary and non monetary pay offered to employees of the organization against the services provided by them. Compensation serves as controller when given as salary and as a motivator when given as incentives (Cooke, 1999). There may be various components of a compensation structure but this research is limited to the under-mentioned factors only

Pay level

According to some researchers (Rynes, Gerhart, & Minette, 2004), pay level is an important factor of motivation for employees but results also reveal that performance based pay is the best criteria to enhance motivational level of employees. It is noted that change in pay level doesn't affect the motivational level of every individual in the same manner and every other employee behaves in a different way as the pay level changes (Rynes, Gerhart, & Minette, 2004).

H2: Basic Pay has a significant impact on Organizational effectiveness.

Bonus

Employees usually receive increments in their salary on the annual basis but In addition to that companies also offer allowances and benefits such as fringe benefits to make their employees fully satisfied but every organization has its own criteria for such incentives.

H3: Bonuses has a significant impact on organizational effectiveness.

Variable pay

This is the variation in the pay other than basic pay which occurs due to the incentives offered to employees with their level of performance.

H4: Variable Pay level has a significant impact on organizational effectiveness.

Benefits

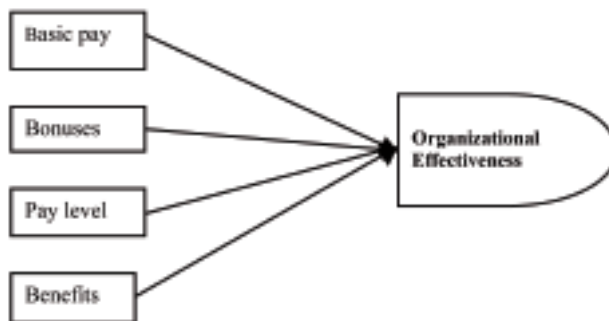
Benefit is another component of compensation structure which can be in any form such as paid leave, health facilities or work more than specific hours to earn extra money. There are certain types of benefits offered by the telecom industry in Pakistan e.g. fringe benefits, health allowances, paid time off, disability/ life insurance benefits or pension. Employees are the back bone of the organization. Managers must be trained enough to manage their human resource at its best as they have to deliver instructions to the employees. Employees' efforts must be acknowledged by the managers to keep them motivated towards their jobs. In this research, telecom sector companies which are selected for defining the linkage between compensation and job satisfaction are Mobilink and Warid. Standards used by Mobilink in providing compensation and benefits are: Mobilink offers to its employees different allowances, provident fund as well as medical facilities while WARID provides compensation and benefits with medical allowances and also gives annual holidays with some reimbursement related to OLD age benefits.

H5: Benefit has a significant impact on organizational effectiveness.

Method

As stated earlier, in this study the Organizational Effectiveness is considered as response variable and Compensation (pay level, bonus, basic pay and other benefits) are considered as explanatory or independent variables. The preceding section based on review of historic resulted in following research model for this study.

Figure 1.0: Research Model



Several research techniques can be applied within either a scientific or an interpretive context. In each case there are differences in the detailed application of the technique because it entirely depends on the nature of the work needs to be carried on. Qualitative and Quantitative are the two methods of doing research. (Berg, 2004; Kaplan and Maxwell, 1994). Quantitative research methods are originally developed in the natural sciences to study natural phenomena.

Examples of quantitative methods now well accepted in the social sciences include survey methods, laboratory experiments, formal methods (e.g. econometrics) and numerical methods such as mathematical modeling. Quantitative research focuses on quantification in collection and analysis of data but as mentioned earlier this research will be based on primary data collection and obviously with the comparison of previously work done whereas qualitative research methods are developed in the social sciences to enable researchers to study social and cultural phenomena. Examples of qualitative methods are action research, case study research and ethnography. Qualitative data sources include observation and participant observation (fieldwork), interviews and questionnaires, documents and texts and the researcher's impressions and reactions. The motivation for doing qualitative research as opposed to quantitative research comes from the observation that if there is one thing which distinguishes humans from the natural world, it is our ability to talk!

Qualitative research methods are designed to help researchers to understand people and their social and cultural contexts within which they live. (Kaplan and Maxwell, 1994) argue that the goal of understanding a phenomenon from the point of view of the participants and its particular social and institutional context is largely lost when textual data are quantified. Here the level of research approach is an interpretive and naturalistic which is much needed to the world. In this research qualitative research method is used and questionnaire as a tool. Questionnaire-based survey is adopted to collect the data. This involves the collection of written data from interviewees or the collection of verbal responses to relatively structured questions (Straub, 1989). This method is employed to conduct this research and involves direct approach to the people requesting them about some research related questions to get the information on the spot. The reason to adopt this method is the purpose to collect the data from the respondents due to it's somewhat technicality because it is found that few of the respondents are not able to understand the organizational commitment and their satisfaction level towards their job. A small number of respondents refused to answer the questions because they were found more conscious talking about their organization. Few of them initially refused but satisfied when explanation was given to them about the purpose of research.

Research Tool and Data Collection

Independent variable factors include pay, bonus, pay level and benefits and have convergent and discriminate validity for this sample which are adopted form Heneman. & Schwab (1985) study whereas for dependant variable consisting of

10 items of organizational effectiveness and the tool is adopted from Lewin & Minton(1986). The measure is revalidated in Pakistani setting. For basic pay, Cronbach's alpha for the nine items was 0.741, for bonuses consisting of nine items reliability was 0.759, for pay level it was 0.767 and for benefits it was 0.732. However the validity was retested in Pakistani setting and some questions were rephrased to enhance the understating of the research tool. This factor analysis was again adopted and reliability was reassured and demonstrated in Table 1.0. For basic pay consisting of 09 items, 04 items have been excluded in order to ensure the reliability 0.704 .Bonuses consisting of 03 items and the reliability is 0.759. Pay level consisting of 04 items and the reliability is 0.767. Benefits are consisting of 04 items and their reliability is 0.732. Organizational Effectiveness is consisting of 10 items and the reliability is 0.705.

Table 1.0 : Reliability Analysis of Research tool

Scale Name	Alpha value	No. of items
Basic pay	0.741	9
Bonuses	0.759	3
Pay level	0.767	4
Benefits	0.732	4
Organizational Effectiveness	0.705	10

The research instrument is a structured questionnaire and the target population for this research is consisting of middle management and customer care officers of the business centers of the city of Lahore. Lahore is considered as business hub of Pakistan. For this research random sampling technique is used. Total 130 questionnaires were distributed and 89 were returned and usable for this study, 50 questionnaires are sent via e-mail and remaining are filled through personal administered data collection technique to increase response rate. Response rate was 58% through email and 75% via through personal administered data collection technique. The questionnaire is consisted of total 34 questions including some personal questions. 09 questions related to basic pay, 03 to bonuses, 04 to pay level, 04 to benefits, and 10 are related to organizational effectiveness. The instrument uses 5 point likert scale from: 1-strongly disagree to 5-strongly agree. It gives importance to all these factors relating to compensation and organizational effectiveness.

Table 2.0: Demographic Variables (Sample size 89)

	N	Minimum	Maximum	Mean	Std. Deviation
Gender	89	1.00	2.00	1.2135	.41209
Position in the org	89	1.00	3.00	1.8764	.63640
Working Experience	89	1.00	5.00	2.5114	1.02827

Table Key: Gender: 1- Female; 2- Male

Position in the organization: 1-Senior level Manager; 2- Middle Level Manager; 3- First Line Manager

Working Experience (in years): 1- one-three; 2- four-seven; 3- eight-ten; 4- more than ten years

Table 2.0 representing demographic variables states. The coding include three main demographics variables (Gender, Position in Organization i.e. managerial hierarchy of company) Gender includes male and female whereas 1 is assigned to female and 2 to male. Management is divided into three categories representing senior level, middle level, first line management and others include supervisory staff. Work experience is taken in years and described in different slabs from 1-3, 4-7, 8-10 and employees having more than 10 years of experience.

Research Findings

Refer to Table 3.0 correlation describes relationship between dependent and independent variables.

Table 3.0 Correlations: (Dependent Variable is Compensation Structure)

Variables	1	2	3	4	5	6
1) Organizational Effectiveness	1					
2) Compensation	.592**	1				
3) Basic pay	.232*	.846**	1			
4) Bonuses	.714**	.761**	.466**	1		
5) Pay level	.347**	.742**	.656**	.257*	1	
6) Benefits	.582**	.894**	.665**	.707**	.509**	1

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

Each hypothesis is tested and the correlation matrix provided the answer of the first five hypotheses. Where first hypothesis has significant impact on organizational effectiveness and would be positively correlated 0.592($p < 0.001$). The Second hypothesis has impact on organizational effectiveness and would be positively correlated 0.232($p < 0.001$). The third hypothesis stated that the bonus has impact on organizational effectiveness and would be positively correlated

0.714($p < 0.001$). The fourth hypothesis also has impact on organizational effectiveness with positive correlation of 0.347($p < 0.001$). The Fifth hypothesis has also impact on organizational effectiveness having positively correlation of 0.582($p < 0.001$). Finally Compensation (basic pay, bonuses, pay level, benefits) are regressed against the organizational effectiveness. The results indicate that this hypothesis is also substantiated. That is the adjusted 'R' squared value of 0.638 is significance at 99% with degree of freedom four (4), confirms that 63.8 % of variance in organizational effectiveness is explained by the compensation factors.

Conclusion

This study somehow reflects the compensational effect on organizational effectiveness. It may be useful for managerial staff of the telecom sector in Pakistan to enhance the organizational effectiveness by using the results but at the same time it has few restraints as well. The findings of this paper are consistent with numerous studies. Firstly, regarding compensation structure findings are partially consistent with (Cooke, 1999) suggesting that salary plays the role as controller as well as a motivator. (Rynes, Gerhart, & Minette, 2004) also agreed to consider pay as a motivator for an employee however they claim that the response of the employees might not be the same. This study is not without limitations Firstly the telecom sector of Lahore city of Pakistan is focused while other major cities of Pakistan can be accessed via email for better response rate and generalization of research. Lastly, there is a limitation of resources in terms of time and cost regarding data collection. This research has few research implications for organization as well as HR Department representatives of telecom companies. The research implications are that Compensation factors shall be identified and designed in such a way that they shall not only indulge HR related organizational policies, rules and procedures, but also paying attention on the employee's compensation factors to retain competent employees for enhanced organizational effectiveness. Lastly, Future research studies can extend this research by incorporating organizational culture and employee commitment as mediating variables.

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A Financial and Quantitative relationship of debt, dividend and insider ownership

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The insider ownership, debt and dividend policies have a major contribution in firm's financial decision making. The key aim of this study was to examine the determinants of insider ownership, debt and dividend policies. Insider ownership, debt and dividend were set as dependent variables and profitability, size of a firm, business risk, investment, sales growth and fixed assets were set as independent variables in this study. The results of this study signify that financial decisions and insider ownership are interdependent and levels of insider ownership have negative impact on firm's debt and dividend policies. We have found that insider ownership differs steadily across firms. We suggest that higher insider ownership firms select low levels of debt as well as dividend

Key Words: *Quantitative relationship, debt, dividend, insider ownership*

Introduction

The insider ownership, debt and dividend policies plays significant role in any organization. These choices are indirectly related to operating attributes of firm. Insider ownership presents a percentage of shares held by insiders. This shows that people who are working in organizations are part of the organization and they put their efforts for its betterment. By owning the stock of organization they are more result oriented and committed towards the company's performance. The debt shows organization's dependency on outsiders and they ensure about the availability of required funds to carry on the day to day business operation. In this regard the major portion of risk is associated with it. Therefore, the organization can be more risky and it depends more on debt and does not attract enough investors to make investment. Dividend is a fundamental tool for investment. Dividend is suitable component to inspire the investors for more investment. However, agency and signaling theory indicate that debt of the firm, dividend and insider ownership levels are attached not only to similar firm-particular characteristics, but also directly to each other. In view of direct and indirect relationship among these policies the objective of simultaneous study is clear. In earlier studies, insider ownership has been taken as exogenous variable of the firm's particular characteristic to influence dividend or debt policy but Demsetz and Lehn (1985) made a persuasive case that insider ownership choices are

endogenous outcomes of value-maximizing behavior. Jensen and Meckling (1976) realize impacts of agency conflict among three groups and their analysis suggests that a proportion of shareholder's equity captured by insider should manipulate a firm's policies.

Objective of the study

To examine the determinants of insider ownership, debt and dividend policies within a common empirical frame work in Pakistan by using secondary data to analyze the behavior of Insider ownership, debt as well as dividend policies.

Hypotheses

The following hypotheses were developed to be tested:

- H 1:** There is a negative association between insider ownership, debt and dividend.
- H 2:** There is a positive correlation between debt and fixed assets.
- H 3:** There is a negative association between debt, profitability and business risk
- H 4:** There is an inverse association between business risk and dividend.
- H 5:** There is a positive association between profitability and dividend.
- H 6:** There is an inverse correlation between investment, growth and dividend.
- H 7:** There is an inverse correlation between size of firm and insider ownership.
- H 8:** There is a positive association between business risk and insider ownership.

Literature Review

Earlier studies have raised information costs and agency problems to give details every policy separately. Yet, agency and signaling assumption recommend that an organization's debt, dividend, and insider ownership levels are associated to related organization's particular features, except directly to another. In the light of the direct and indirect relationships among these policies, the inspiration for simultaneous study is apparent. Careful analysis is required to distinguish any direct effects from indirect effects resulting from the firm's operating choices.

Demsetz and Lehn (1985) made a persuasive case that insider ownership choices are endogenous outcomes of value-maximizing behavior. If insider ownership is itself endogenous, previous evidence that insider ownership affects debt and dividend policy might be misleading. Assessment contained by a system helps to evade several false acknowledgment of causality among these three

policy choices that actually stems from fake correlations. Three stakeholder groups are mostly applicable: organization managers, outsider shareholders, as well as creditors. Leland and Pyle (1977) and Ross (1977) suggest the insider possession and monetary plan assist in resolving informational irregularity among firm's managers and firm's external investors.

Simultaneous determination of policy choices

A straightforward agenda intends that organization could reduce the costs shaped by informational irregularity as well as distorted incentives through optimizing together in excess of debt, dividend, as well as insider ownership policies. If firms were identical in their real operations, empirical analysis of these policies would then be very simple. It could simply examine debt, dividend, and insider ownership levels to identify systematic tradeoffs in these policies. Casual observation suggests that the world is not so simple. A method of equations furnishes a functional tool in extract these effects. These variables could also be used to estimate the reduced form of equations in which each exogenous variable appears in all three equations. For example, Zorn and Hansen (1989) estimated independent equations for debt, dividend policy, and insider ownership.

Review of the Determinants of Policy Choices

Debt as well as dividend policies and insider ownership might be abundant remuneration in reducing agency or else informational asymmetry concerns. At the same time, there are costs associated with using each of these tools. Insider ownership is costly to managers who become mal-diversified. Debt reduces free cash flow only by creating new conflicts between creditors and owners. Similarly, dividend policy reduces informational asymmetry only if dividend changes are a costly signal.

Insider Ownership

The empirical work considers two "real" determinants of insider ownership, business risk and firm size. These variables capture various real attributes that help to determine the benefits and costs of insider ownership. Demsetz and Lehn (1985) present several arguments for the hypothesis that insider ownership should vary predictably across firms (Beck and Zorn, 1982). Control of a firm provides the greatest incremental value when informational asymmetry between insiders and outsiders is greatest. If outsiders know much about both the corporation and managerial effort as insiders, there is little incremental value to insider ownership. Demsetz and Lehn (1985) argued that high organization specific risk increases the worth of insider ownership for the reason that the contribution of

managers to firm performance is difficult to measure due to the noise created by external factors.

Debt Policy

Debt policy could be affected with organization's particular characteristics like those influence the availability of debt obtainable to organization.

Ravid (1988) discusses these relationships in an interesting review of the debt policy literature. Myers and Majluf (1984) describe profitability to policy of debt throughout a adapted "pecking order" assumption, while recommends that further profitable organization will diminish their demand for debt, since other inside resources would be obtainable to investment of finance. Profitable organization has further earnings offered for withholding or investment and, therefore, would be inclined to make together their equity comparative to their debt.

Dividend Policy

Bhattacharya (1979) and Miller and Rock (1985) elucidated that dividend payout seems to be indication in onward profitability. Rozeff (1982) argued that higher dividend payments reduce agency conflicts between managers and shareholders and finds evidence of relationships among growth, profitability, and dividends. Better business risk makes the predicted straight association amid existing and predictable profitability of future less certain. Consequently, it is hypothesized that better business risk would be linked with lesser dividend payments. A significant association among profitability as well as dividends seems plausible, all else constant. Moreover, the documented empirical relationship between dividends and profitability suggests that we must include profitability to help capture "real" differences among firms. Investment and growth opportunities faced by a firm should also affect dividend policy

Miller and Modigliani (1961) showed under these assumptions whether all earnings of the company was distributed as a cash dividend or retained as a capital for new investment opportunities that it had the same contribution to investors' wealth. Under these assumptions, every security in the market would have the same return as investors would easily shift to another one with better return. Miller and Modigliani (1961) emphasized differences between the policy of dividend and company's investment policy: The company was not necessarily bound to its earnings for its investments. They argue with Gordon's findings as he oversaw the effect of investments made and they related pricing of the shares only with dividends and earnings. Finally with relief of some assumptions Miller and Modigliani (1961) showed dividend irrelevance theorem was not distant from the current situation of market. When we turn Miller and Modigliani' (1961)

findings upside down we could see why researchers think dividends and dividend policy were still important: Transaction costs, asymmetric information, and tax - depending on investor's situation.

Method

Secondary data was used in the analysis which was collected from the Karachi Stock Exchange website. The availability and position of market determined the period of study and sample size. This study covered the period of 5 years of data from 2005 to 2009. The sample size was 44 companies because only those firms were taken into study which paid dividend regularly during this period. The sample only consist non-financial companies listed in Karachi Stock Exchange.

Explanation of the Variables:

Dependent variables

A. Insider ownership:

Demsetz and Lehn (1985) presented different point of view for the assumption that insider ownership should differ from predictably across firms. The determinants for insider ownership have been proposed in earlier studies with different number of variables (Jensen, Donald, and Thomas 1992). In this study, the proxy of insider ownership had been taken as business risk (Standard deviation of the income generated by operation divided by total assets) and firm's size (total assets log).

B. Debt:

The debt policy of the firm discussed in earlier studies of (Jensen, Donald, and Thomas 1992) as debt policies could be affected by organization explicit actual attribute that concern the supply curve of the debt accessible to organization or demand of debt of the firm. In the previous study the debt was calculated by alternatives as business risk (Standard deviation of the income generated by operation divided by total assets), firm's profitability (Proportion of income generated by operation to total assets) and fixed assets (Ratio of fixed assets of firm to total assets of firm) of the firm and these proxies used in this study. Ravid (1988) discusses a firm's fixed assets level should be positively associated to debt levels. Myers and Majluf (1984) propose that higher profitable organizations diminish claim for debt, since higher inside resources will be obtainable to finance investment.

C. Dividend:

The dividend policy of the firm discussed by Bhattacharya (1979) and Millerand Rock (1985) as most favorable dividend payments as indication of

future profitability. The calculation of dividend had been discussed by (Jensen, Donald, and Thomas 1992) investment (Expenditure for plant, and equipment), and sales growth (Five -year rate of growth in sales). Demsetz and Lehn (1985) present several arguments for the hypothesis that insider ownership should vary predictably across firms. Generally, benefits from insider ownership are linked to gains in control potential from managers taking a large stake in the firm. The costs of insider ownership are borne by insiders who must allocate a large portion of their wealth to the firm, and necessarily hold a diversified portfolio (Beck and Zorn, 1982).

Statistical Model

In this study, the main statistical model has been applied on collected data multiple linear regressions were used to test the hypotheses and statistical equation is $Debt = \alpha + \beta_1 (\text{insider ownership}) + \beta_2 (\text{business risk}) + \beta_3 (\text{profitability}) + \beta_4 (\text{fixed assets}) + \text{error term... (1)}$

$Dividend = \alpha + \beta_1 (\text{insider ownership}) + \beta_2 (\text{debt}) + \beta_3 (\text{business risk}) + \beta_4 (\text{profitability}) + \beta_5 (\text{growth}) + \beta_6 (\text{investment}) + \text{error term... (2)}$

$Insider = \alpha + \beta_1 (\text{debt}) + \beta_2 (\text{dividend}) + \beta_3 (\text{business risk}) + \beta_4 (\text{size}) + \text{Error term... (3)}$

Data analysis and results

Initially, there were issues like non normality in the data set. Subsequently, the issue of non-normality was resolved by applying log transformation on independent variables. However when the model was fitted with the original variables, the results were significant. Then model was fitted with log transformed variables and following results were obtained:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.490 ^a	.240	.222	.1763136

a. Predictors: (Constant), log of fixed assets, Insider, Profitability, Dividend Ratio, log of business risk

b. Dependent Variable: Debt

R-Square is the coefficient of determination which defines the strength of the model fitted. Hence, the Adjusted R-square .222 or 22.2% indicates that the model is somehow fitted.

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.101	5	.420	13.516	.000 ^a
	Residual	6.653	214	.031		
	Total	8.753	219			

a. Predictors: (Constant), log of fixed assets, Insider, Profitability, Dividend Ratio, log of business risk

b. Dependent Variable: Debt

The above table gives the ANOVA which measure the suitability and validity of model. It tells whether the change in dependent variable caused by independent variable is significant or not. The sig. value of the test is less than 0.05; this ensures that the model is significant. F-test static of the model is 13.516. This result confirms that the change in debt caused by Ln Fixed Assets, Insider, Profitability, Dividend ratio, Ln Business risk is significant.

Coefficients

Model		Unstandardized Coefficients	Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.805	.057		14.055	.000
	Dividend Ratio	-.069	.027	-.157	-2.569	.011
	Profitability	-.362	.150	-.203	-2.410	.017
	Insider	-.225	.113	-.124	-1.982	.049
	Log of business risk	.386	.115	.288	3.373	.001
	Log of fixed assets	-.022	.011	-.115	-1.909	.058

a. Dependent Variable: Debt

In above table the negative sign of dividend ratio coefficient which is similar to earlier study conducted by Jensen, Donald, and Thomas (1992) indicates the firms with higher dividend payout choose lower debt financing while dividend has significant effect on debt. The negative coefficient on profitability is consistent to prior findings by Jensen, Donald, and Thomas (1992). It shows

that profitability is negatively related to debt. It means if profitability increases, debt decreases. The negative sign of coefficient on in fixed assets shows inverse relationship between debt and in fixed assets. It means, if in fixed assets increases, debt decreases. However, in prior studies by Jensen, Donald, and Thomas (1992) where positive relationship was observed between debt and fixed assets. So in business risk has significant impact on debt.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.449	.202	.187	.0995905

a. Predictors: (Constant), Debt, Dividend Ratio, Size, Business risk

b. Dependent Variable: Insider

The above table illustrates that the “R” is the multiple correlation between dependent and independent variables. R-Square is the coefficient of determination which defines the strength of the model fitted. Hence, the Adjusted R-square .187 or 18.7% indicates that the model is somehow fitted.

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.539	4	.135	13.598	.000 ^a
Residual	2.132	215	.010		
Total	2.672	219			

a. Predictors: (Constant), Debt, Dividend Ratio, Size, Business risk

b. Dependent Variable: Insider

The sig. value of the test is less than 0.05; this ensures that the model is significant. F-test static of the model is 13.598.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.265	.090		2.942	.004
	Dividend Ratio	-.056	.015	-.230	-3.728	.000
	Business risk	.396	.092	.291	4.321	.000
	Size	-.024	.005	-.313	-4.999	.000
	Debt	-.043	.038	-.078	-1.128	.260

a. Dependent Variable: Insider

The result of above table indicates that dividend ratio is negatively correlated with insider ownership. It means, if dividend increases, insider ownership decreases. Dividend has significant impact on insider ownership. However, when the model was fitted with the original variables, the results were insignificant. Then model was fitted with log transformed variables and following results were obtained:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.584	.341	.322	2.20544

- a. Predictors: (Constant), Debt, Insider, Investment, Salesgrowth Absolute Amount, Profitability, Business risk
- b. Dependent Variable: log of Dividend Absolute Amount

R-Square is the coefficient of determination which defines the strength of the model fitted. Hence, the Adjusted R-square .322 or 32.2% indicates that the model is fitted.

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	530.682	6	88.447	18.184	.000 ^a
	Residual	1026.300	211	4.864		
	Total	1556.982	217			

- a. Predictors: (Constant), Debt, Insider, Investment, Salesgrowth Absolute Amount, Profitability, Businessrisk
- b. Dependent Variable: ln of Dividend AbsoluteAmount

The above table gives ANOVA which measures the suitability and validity of model. It tells whether the change in dependent variable caused by independent variable is significant or not. The sig. value of the test is less than 0.05; this ensures that the model is significant. F-test static of the model is 18.184.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	16.749	1.739		9.632	.000
	Business risk	-7.569	2.710	-.230	-2.793	.006
	Profitability	4.771	1.935	.199	2.466	.014
	Insider	-4.874	1.425	-.201	-3.421	.001
	Investment	2.114E-8	.000	.052	.903	.368

a. **Dependent Variable: Ln of Dividend Absolute Amount**

The table indicates that Business risk is negatively associated with dividend. It means that firms avoid paying higher dividend, when uncertainty about earning is high. Business risk has significant effect on dividend. . This result is consistent to prior findings by Jensen, Donald, and Thomas (1992) where negative correlation between dividend and business risk was observed and business risk was significant. The positive sign of coefficient of profitability suggests positive relationship to dividend. It means that high profitable firms pay higher dividends. Profitability has significant effect on dividend. The sign of positive coefficient of both investment and sales growth suggests that greater investment and growth opportunities raise dividends. While growth has no significant effect on dividend but sales growth has significant impact on dividend. This result is opposite to previous studies by Jensen, Donald, and Thomas (1992) where negative correlation among dividend, investment and sales growth was observed and both were significant.

Conclusion

This study was conducted on determinants of insider ownership, debt and dividend policies. In this study three models were developed i.e. Debt model, Dividend model and insider ownership model. In debt model, variables insider ownership, dividend, business risk, profitability and fixed assets were included. The result suggested that debt was negatively correlated with insider ownership, dividend, fixed assets and profitability, while positively correlated with business risk. In insider ownership model variables debt, dividend, size of a firm and business risk was added. The findings of this model indicated that insider ownership was negatively correlated with debt, dividend and size of a firm, while positively correlated with business risk.

Implications and Recommendations

Finally, this study was made to give a set of various practical recommendations that may contribute to increase the insider ownership, debt and dividend policies. One major implication which can be extracted that some results of this study suggests similarity to the previous findings by Jensen, Donald, and Thomas (1992). It means Karachi stock exchange performs different from the US market. The results suggest that financial decisions and insider ownership are interdependent and level of insider ownership has negative influence on debt and dividend policies. However, it is recommended that while taking firm`s financial decisions insider ownership must not be overlooked.

Future Research

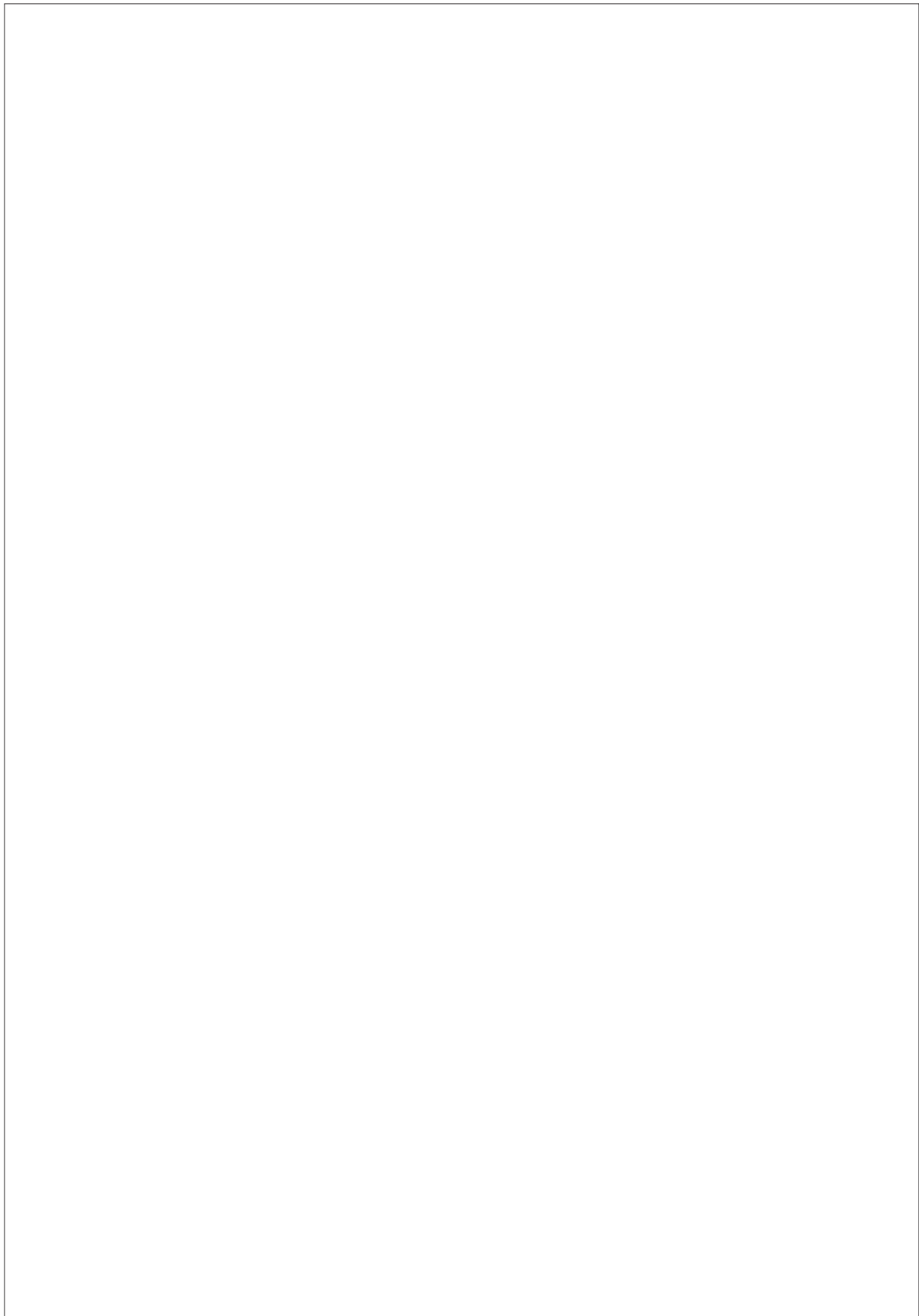
This study was based on three dependent and six independent variables, and the data was collected of 44 non-financial firms for the period of 5 years. This

might have affected the results of the study. It is recommended that, in future research, the sample size should be increased in order to improve legitimacy of the results. Other factors like liquidity ratios, efficiency ratios and leverage ratios and those that determine the insider ownership, debt and dividend policies should be incorporated in the future study.

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Factors for Better Selection of Business Universities in Karachi: Perspective of Students

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This research study aimed to identify the factors that students consider when selecting a university for Business Education in Karachi city. The study also explored the reasons of students' enrollment in their respective universities thus helping universities for better marketing themselves. The sample included hundred respondents selected on the basis of convenient sampling, twenty five each from four top business universities\Institutes in Karachi according to Higher Education Commission ranking selected through purposive sampling. The data was collected through structured questionnaires having closed ended questions and the results were tabulated and analyzed using regression analyses to understand the impact of the identified variables on the selecting of universities. The R-Value of the model showed a value of .76 showing that independent variables (internal, external and environmental factors) have a 76% effect on the dependent variable (selection of) which shows that up to 76% of the dependent variable is caused by the independent variables. The environmental factors included; cost of living in the area, cost of education, and geographic proximity to home, law and order situation of the area). The internal factors (number of PhD faculty members, research orientation at the university, support and cooperation by the management, transport facilities offered), and external factors (accreditations/ranking, market image of the institution, perceived quality of education, environment where the university is situated) to be able to better market themselves to students. The results of the study can be helpful for the Business Universities to better develop themselves in light of the findings of the research, and be able to better market themselves.

Key words: *Business Education, Business Universities Environment Factors*

Introduction

Universities have been trying internationally to cater to and retain some of the brightest students considering the demand of business education. The trend is on the rise requiring more and more business education universities around the

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world. Similar is the trend in Pakistan which has seen a great rise in Universities and business institution (Chapman, 1981). Initially there were only one to two business education institutions, while now there are more than dozens. Wellman (2006) pointed out that the increase in business educational institutes gives students more options to choose a business institution considering different important factors e.g. faculty, different facilities provided by university and learning methods. Hence it becomes important for universities to know what factors students are looking for while selecting a university for admission so that universities can better market and cater to students in this era of high demand from higher business education.

Although branding and marketing for university is not a new concept in Pakistan, there was no study found during the course of the research that was directly related to the overall situation in Karachi, hence providing a gap that can be researched on. Moreover there are number of recent studies available online at libraries such as Proquest and Credo but not in reference to Pakistan, especially Karachi.

Strategic direction of the education market, addresses the wants and needs of the applicant. It is important to segment the target group that is selected within a plan for better serving through specific products and services (Keling, 2006). The applicant is the essential human element, is the protagonist of this market. It is the highest indicator of the potential for an academic market. The educational marketing runs creating a concept of corporate behavior and corporate design that defines and embodies the visual identity of the institution (Aiiffin, 2008, pp.1-18).

It is crucial to consider the factors based on which the students choose to continue their studies and go to university. Zemsky (1983) also emphasized to consider the factors that greatly affect the lives and choices of students.

It is argued that institutional autonomy and academic freedom are, or could be, affected by the evaluation and accreditation procedures. However, such procedures exist in over 60 countries where institutions have full autonomy and vigorously exercise academic freedom (Joseph, 1998). It is argued that the existence of a system of academic quality assurance inhibit diversity and innovation. On the contrary, experience shows that countries with more innovative systems-United States, Great Britain, Netherlands, Finland, Australia, have vigorous Source Analysis & Evaluation Corporation (Hossler, 1984).

Purpose of the study

The research aimed to identify the factors that students consider when selecting a university for Business Education in Karachi city. The study also

explored the reasons of students' enrollment in their respective universities thus helping universities for better marketing themselves.

Hypotheses of the Study

1. The environmental factors have a significant impact on student's decision to select a business university
2. The Internal factors have a significant impact on student's decision to select a business university
3. The External factors have a significant impact on student's decision to select a business university

Method

Sample

The sample included four top business universities\Institutes in Karachi according to Higher Education Commission ranking; University of Karachi (KU), Institute of Business Administration (IBA), Institute of Business Management (IoBM) and Shaeed Zulfiqar Ali Bhutto Institute of Science and Technology (SZABIST) selected through purposive sampling. Hundred respondents, twenty five each were selected on the basis of convenient sampling.

Instrument

The survey included structured questionnaires having closed ended questions to elicit easily quantifiable responses. These responses were tabulated and analyzed using regression analyses to understand the impact of the identified variables on the selecting of universities.

Variables

The dependent variables were university students enrolled to reflect the reasons for which students select a business school/institution for Business Education and the top four universities selected by these students to identify the significant factors as the main reasons student go to these top universities. The four universities were encoded as 1, 2, 3, and 4 in SPSS as nominal data. These numbers did not represent any value, but were only assigned to identify the universities.

The research incorporated three main independent variables including; the environmental factors, internal factors and external factors. These main independent variables were further broken into smaller sub variables to better elicit information and cover a broader horizon. These sub variables included:

1.1 Environmental Factors

- a) Cost of living in the area
- b) Cost of education
- c) Geographical proximity to home
- d) Law and order Situation of the area

1.2 Internal Factors

- a) Number of PhD faculty members in Universities
- b) Research orientation at the Universities
- c) Support and cooperation by the management of Universities
- 4) Transport Facilities offered by Universities

1.3 External Factors

- a) Accreditations/Ranking of Universities by Higher Education Commission (HEC) of Pakistan
- b) Market image of the Universities
- c) Perceived Quality of education
- d) Environment where the universities are situated

Procedure

Students in the four universities were approached with the prior permission of their management and questionnaires were circulated to 25 students studying in different semesters in each of the university. The responses were later tabulated and analyzed using regression analysis to understand the effect of the independent variables on the dependent variables. Freedman (2005) also mentioned that it is a common statistical tool used in researches where there is a need to identify the effect of one or more variables on other variables. This tool also helps in identifying the causal effect relations between variables, and to estimate the relationship between different variables. Regression analysis incorporates a number of different techniques for the modeling and analyzing variables while focusing on the relationship between one or more independent variables and a dependent variable (Gelman, 2008).

Result and Discussion

The study took into account a total of four variables of which the University was taken as the dependent variable, and the three independent variables included; environmental factors, internal factors and external factors.

1.1 Environmental Factors

The environmental factors included; cost of living in the area, cost of education, and geographic proximity to home, law and order situation of the area.

Table 1
Cost of living in the area

Responses	Frequency	%
Strongly Disagree	0	0
Disagree	0	0
Not Sure	7	7
Agree	32	32
Strongly Agree	61	61
Total	100	100

Table 1 shows that majority of the respondents strongly agree that the cost of living in the area where the University is situated is an important factor in selecting a university for admission.

Table 2
Cost of Education

Responses	Frequency	%
Strongly Disagree	0	0
Disagree	2	2
Not Sure	5	5
Agree	35	35
Strongly Agree	58	58
Total	100	100

Table 2 shows that majority of the respondents strongly agree that the cost of education is an important factor in selecting a university for admission.

Table 3
Geographic Proximity to Home

Responses	Frequency	%
Strongly Disagree	0	0
Disagree	2	2
Not Sure	6	6
Agree	25	25
Strongly Agree	67	67
Total	100	100

Table 3 shows the frequency of the responses showing what the respondents think of the Geographic proximity to home.

Table 4
Law and Order Situation of the Area

Responses	Frequency	%
Strongly Disagree	0	0
Disagree	0	0
Not Sure	3	3
Agree	32	32
Strongly Agree	65	65
Total	100	100

Table 4 shows the frequency of the responses showing what the respondents think of the Law and order Situation of the area

Internal Factors

The internal factors included; number of PhD faculty members, research orientation at the university, support and cooperation by the management, and transport facilities offered by university.

Table 5
Number of PhD faculty members

Responses	Frequency	%
Strongly Disagree	0	0
Disagree	0	0
Not Sure	6	6
Agree	36	36
Strongly Agree	58	58
Total	100	100

Table 5 shows the frequency of the responses showing what the respondents think about the importance of number of PhD faculty members at the university.

Table 6
Research Orientation at the University

Responses	Frequency	%
Strongly Disagree	0	0
Disagree	0	0
Not Sure	6	6
Agree	36	36
Strongly Agree	58	58
Total	100	100

Table 6 shows the frequency of the responses showing what the respondents think of the Research orientation at the university.

Table 7
Support and Cooperation by the Management

Responses	Frequency	%
Strongly Disagree	0	0
Disagree	1	1
Not Sure	2	2
Agree	35	35
Strongly Agree	62	62
Total	100	100

Table 7 shows the frequency of the responses showing what the respondents think of the Support and cooperation offered by the management at the university.

Table 8
Transport Facilities Offered

Responses	Frequency	%
Strongly Disagree	0	0
Disagree	0	0
Not Sure	5	5
Agree	32	32
Strongly Agree	63	63
Total	100	100

Table 8 shows the frequency of the responses showing what the respondents think of the Transport Facilities offered at the university.

External Factors

The external factors included; accreditations/ranking, market image of the institution, perceived quality of education, and environment where the university is situated.

Table 9
Accreditations/Ranking

Responses	Frequency	%
Strongly Disagree	0	0
Disagree	0	0
Not Sure	5	5
Agree	22	22
Strongly Agree	73	73
Total	100	100

Table 9 shows the frequency of the responses showing what the respondents

think of the importance of the University's Accreditation and Ranking. Transport Facilities offered at the university.

Table 10
Market Image of the Institution

Responses	Frequency	%
Strongly Disagree	0	0
Disagree	0	0
Not Sure	4	4
Agree	33	33
Strongly Agree	63	63
Total	100	100

Table 10 shows the frequency of the responses showing what the respondents think of the Market image of the institution.

Table 11
Perceived Quality of Education

Responses	Frequency	%
Strongly Disagree	0	0
Disagree	1	1
Not Sure	6	6
Agree	30	30
Strongly Agree	63	63
Total	100	100

Table 11 shows the frequency of the responses showing what the respondents think of the Perceived Quality of education.

Table 12
Environment Where the University is

Responses	Frequency	%
Strongly Disagree	0	0
Disagree	1	1
Not Sure	1	1
Agree	32	32
Strongly Agree	66	66
Total	100	100

Table 12 shows the frequency of the responses showing what the respondents think of the Environment where the university is situated.

Reliability Statistics

Cronbach's Alpha	N of Items
0.747	3

The Chronbach's Alpha score shows a .747 score which is a very good sign of the reliability of the data used in the study. This score shows the generalizability of the study being conducted using the tested data.

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Environmental Factors	Between Groups	4.055	3	1.352	15.040	.332
	Within Groups	35.594	396	.090		
	Total	39.650	399			
Internal Factors	Between Groups	1.510	3	.503	5.571	.837
	Within Groups	35.788	396	.090		
	Total	37.299	399			
External Factors	Between Groups	1.375	3	.458	5.536	.024
	Within Groups	32.798	396	.083		
	Total	34.174	399			

The ANOVA table shows the variance of the means of the different variables in the population under study. The Sig value is greater than .05 or 95% showing that there are no significant variations between the populations. Keeping in mind the sig values of the variables, we fail to reject the null hypothesis as the responses of the populations are similar.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.76 ^a	.672	.653	1.11478	.016	2.114	3	396	.001

a. Predictors: (Constant), External Factors, Internal Factors, Environmental Factors

The R value shows the effect of the independent variables on the independent variable. The independent variables have a 76% effect on the dependent variable as shown by the R value of .76 which shows that up to 76% of the depend variable is caused by the independent variables. In the context of the study, the reason for selecting business university\institutes is caused up to 76% by the studies

independent variables. The R square shows the explanatory power of the model. The R square value of the study is .627 showing the explanatory power of the model is approximately 67%. It is simply the variance in the dependent variable that is explained by the independent variable, which is 67% in this case showing that the model is explaining the findings to approximately 67% which is a good range.

ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	7.881	3	2.627	7.114	.000 ^a
	Residual	492.119	396	1.243		
	Total	500.000	399			

a. Predictors: (Constant), External Factors, Internal Factors, Environmental Factors

b. Dependent Variable: University

The ANOVA table is the representation of the regression analysis showing the variation in the study and is not the actual ANOVA which is a statistical study of the analysis of variance. The sig value is less than .05 or the critical value showing the model and the findings are significant. This significance shows that the variables under study have a significant effect on the dependent variable.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.624	1.384		4.063	.000
	Environmental Factors	.316	.179	.089	1.767	.008
	Internal Factors	.262	.185	.071	1.417	.000
	External Factors	.090	.191	.024	.472	.001

a. Dependent Variable: University

The Coefficient table shows the sig value of the independent variables individually. All the independent variables including the environmental factors, internal factors and the external factors have a sig value of less than .05 (critical value) making them significant, showing that they have a significant effect on the selection of universities.

Conclusion

The study was conducted to identify factors that influence a student's decision when selecting a business university. The results of the study can be helpful for the Universities to better develop themselves in light of the findings of the research, and be able to better market themselves. A number of studies were reviewed for the research design and the most relevant factors were identified and studied through the use of statistical tools such as the regression analysis and the analysis of variance. The variables included in the research were the environmental factors, internal factors and the external factors were further broken into sub variables. The responses of all these sub variables were averaged and taken as the representation of the main variables.

The regression analysis was conducted to understand the effect the independent variables have on the dependent variable. The R-Value of the model showed a value of .76 showing that independent variables have a 76% effect on the dependent variable which shows that up to 76% dependent variable is caused by the independent variables. In the context of the study, the reason for selecting business university/institutes is caused up to 76% by the study's independent variables. The R square shows the explanatory power of the model. The R square value of the study was .627 showing the explanatory power of the model is approximately 67%. It is simply the variance in the dependent variable that is explained by the independent variable, which is 67% in this case showing that the model is explaining the findings to approximately 67% which is a good range.

The sig value of the variance table for the regression analysis (ANOVA_b) is less than .05 or the critical value showing the model and the findings are significant. This significance shows that the variables under study have a significant effect on the dependent variable. Additionally the Coefficient table shows the sig value of the independent variables individually. All the independent variables including the environmental factors, internal factors and the external factors have a sig value of less than .05 (critical value) showing that they have a significant effect on the selection of universities. Keeping in mind the findings of the research, universities should focus on creating a perfect balance in reference to Environmental Factors (Cost of living in the area, Cost of education, Geographic proximity to home, Law and order Situation of the area), Internal Factors (Number of PhD faculty members, Research orientation at the university, Support and cooperation by the management, Transport Facilities offered), and External Factors (Accreditations/Ranking, Market image of the institution, Perceived Quality of education, Environment where the university is situated) to be able to better market themselves to students.

Recommendations

Universities should keep in mind the variables used in this study which have a significant impact on the selection of universities for business education, and develop their core competencies to cater to those factors.

This can allow universities to better market themselves to students by building and developing their capacities and better present themselves to students.

A larger sample size could be incorporated in future studies taking into account more universities so new horizons can be explored.

Different variable can be included in further studies to understand what are the other variables and factors that influence student when choosing a university.

Future studies can focus on universities other than focusing on business education.

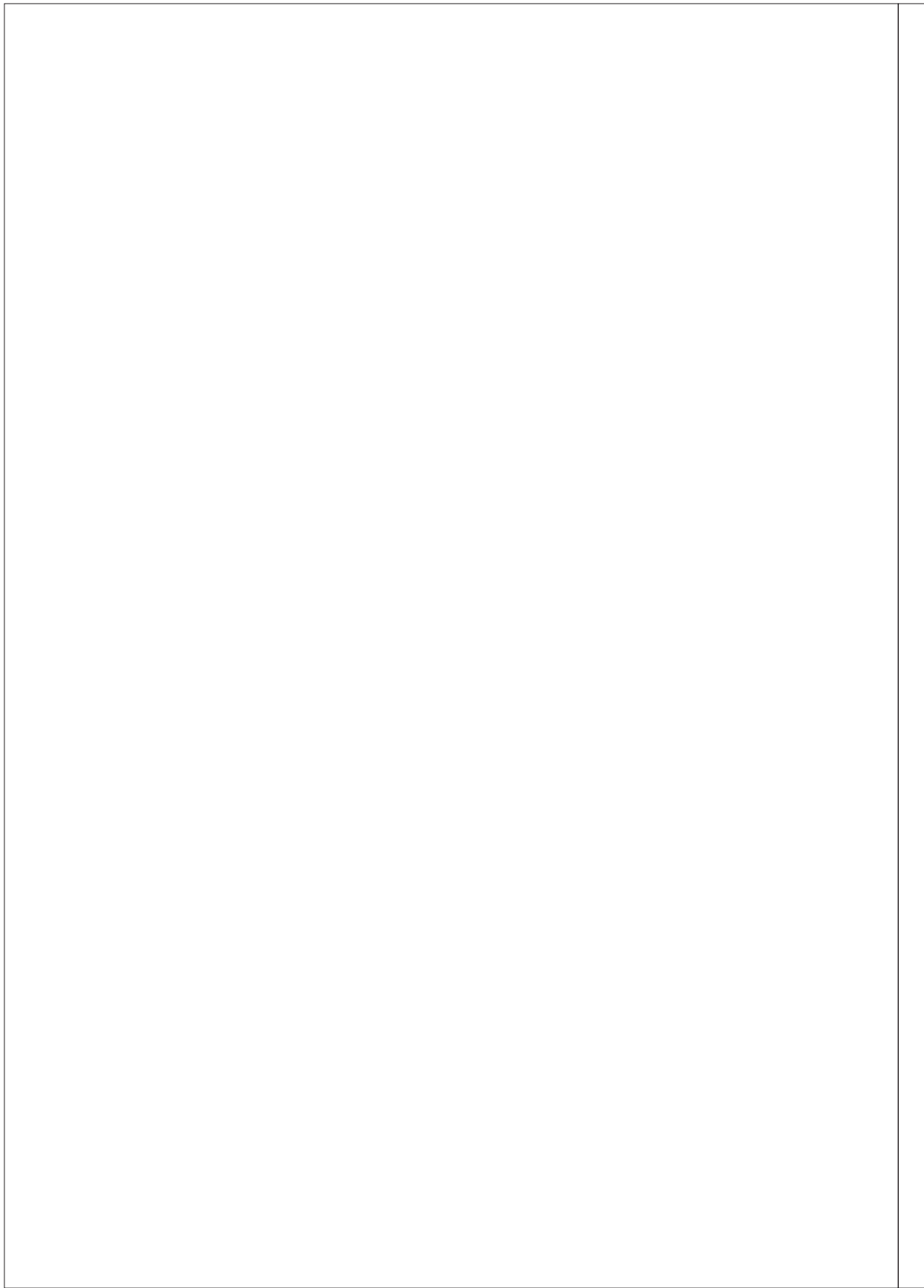
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External Debts: A Comparative Study of Pakistan in Democratic and Military Regimes

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This paper examines the comparative analysis of the average level of external debts between Democratic and Military Regimes in Pakistan for the time period of 41 years spread over 1972 to 2012. This tenure had a combination of military and democratic regimes. Independent sample t-test is used to compare both the regimes which results in higher and statistically significant average external debts for democratic regime. Average growth in the external debts for the time period is observed as 6.2% p.a. Democratic regime has been contributing more in the growth of external debts.

Keywords: *External Debts, Democratic Government, Military Government, Comparative Analysis.*

Introduction

The External Debt is one of the most basic tools to judge a country's economic performance. The high stock of debt, slow growth rate of economy and outflow of considerable amount of resources in the form of debt serving have raised questions that whether foreign borrowing on current terms is beneficial for developing economies or not. The highly indebted poor countries (HIPCs) are experiencing shortage of new funds in their struggle to enhance growth of their economies. Even their coordination with International Monetary Fund (IMF) and World Bank has not been found fruitful and debt stock of such countries remains high.

For a long time, Economists have debated on which of the types of political regime, that is the democratic and the military government have favored Economic growth and development. In the economies of the South Asian nations, the democratic and non democratic rules always play an impact on the economic and monetary performances. The predominant view is that democracy has a negative effect on external debts because between 1970 and 1980 Pakistan's external debt grew at an average rate of 11.3 percent. Although during the Eighties it has grown at a much slower rate, i.e. 2.37 percent, but by 1986-87 the level of total external debt had reached more than 12 billion U.S. dollars. A notable feature of this change has been that since the mid-Seventies the debt-service payments have increased at a much faster rate compared with the outstanding debt.

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Historians are witness to the fact that there are not many nations in the world who have managed to uphold the same political regime since the Second World War. In addition to this, a large number of nations have changed their political regimes more than once until today. The diverse levels of economic development among countries can be made by the progress of the political administrations within the countries. The basic structure of their economic policies and expansion objectives is formulated in accordance to the nature of political regime, which would then produce diverse development performances among countries. Development, efficiency and distribution of development outputs would also depend on the type of political regime. Thus, *ceteris paribus*, there seems to be a close relationship between economic development and the type of political regime. Needless to say, political regime is not the only decisive factor in economic development. Various factors such as industrialization strategy, economic policy, trade, technology, foreign investment as well as physical conditions are involved in economic development (Ota, 2003).

According to statistics compiled by the international institutions Pakistan is still rating in class of low income countries with instable political environment. Slightest financial growth, Low per capita income, least social sector development, existence of ethnic classes, low rating of institutional freedoms, poor governance, more than 50 % period Pakistan ruled by the authoritarian groups, restriction on political rights and civil liberties are some striking features of Pakistan's economy (Mahmood, Azid, & Siddiqui, Democracy and Economic Growth in Pakistan, 2010). Thus, the objective of the report even becomes more crucial, that is to understand that which political era led to a more developed Pakistan. The report effectively evaluates the economic development of Pakistan in both the democratic and military rules and compares the financial progress in both the political regimes.

Problem Statement

To study which of the regimes is more responsible to the external debts of Pakistan.

Hypothesis

Ho: The average External Debt of Pakistan in Military regime is equal to the average External Debts of Pakistan in Democratic regime

Literature Review

Pakistan has, incidentally, been in a whirlpool of foreign debt since its emergence in 1947. It should have resolved its economic problems by now because of long distance it covered during more than sixty three years but unfortunately the situation has been aggravating with each day passed. In Pakistan, the economy was a role model for the developing nations during the 60s decade but due to political instability and also loss of public confidence the subsequent years could not witness the remarkable reduction

in the quantum of foreign loans. There was one of the solid reasons that heavy interest rate added to the difficulties in repaying the loans. No. of lenders increased due to increased demand for further loans which has naturally been putting further strain on the growing economy. In-ability to increase export to the level of bringing equilibrium in the export and import or at least bringing down the import to the minimum causing severe trade as well as balance of payment problems and consequently placed the economy at the mercy of the lending agencies and donors. The second major reason is the minimum ratio of net transfer to Pakistan. Besides, tied loans constraints, very nominal amount used to be left for utilizing in the process of economic development.

The empirical investigation of performance of the country and external debts during different Governmental regimes concludes that the overall Performance, external debts and Structure of Economy of Pakistan is better in the Non- Democratic Government as most of the driving players of economy shows better performance in Non-Democratic regimes than the Democratic rule. Though in contrast, various studies analyzed and concluded that there is a positive correlation between Growth and political competitiveness i.e. democracy. Similar to the finding of this paper there are also several studies which have confirmed and analyzed that the democratic authorities are poorer than non-democratic ones at carrying out reform (Williamson & Haggard, 1994). Similar to this many other Researchers believe that the economical growth lies somewhere around the military dictatorship in the under developed nations (Schmitter, 2005). Several researchers also found that there is a negative or no relationship between Economic Growth/performance and Democracy, Moreover, Democracy with distinction itself fails towards explaining economic prosperity and endures its political fallout. (Sirowy & Inkeles, 1990).

In democratic or a non democratic rule, whether the non democratic regimes pave the way for growth in economy or democracy has the positive relations with the economical growth, the relationship was only prominent in long-term. The long-term economic performance of countries relies upon the establishment and good governance, no matters if the good governance is an exercise of democratic authority or a non democratic rule. Only good governance may enable an economy to produce strong markets, private scheme, and a competitive business environment, and they are all inside a framework of rule of law. (Subhani, Lakhiya, & Osman)

Democracy as a system of national politics gained spacious acceptance in the past half century, because democratic system of administration benefit countries in numerous ways. It promote the rule of law, open society, freedom of choice, and stable politics, which discouraging corruption and extremist policies. Democracy also allows for political participation through regular free elections that should not exclude defined social groups, and it offers a certain level of civil and political rights that ensures competition and participations, which in turn

enhance the economic and social health of territory. However, frequent changes in governments brought about through non democratic methods often lead to immature and uncertain economic policies, is the denial of political freedom and civil liberties. Such type environment seriously limits the economic prosperity. But the question of relationships between political democracy and external debts and economic growth is more rigorous and focused today than past. It is experiential from growth literature that nations which have democratic regime be inclined higher level of economic growth. Due to significance of democracy for economic prosperity, up till now too much research work have been done on this hot issue, even though study regarding the nature of relationships between targeted variables in Pakistan still has research thrust. According to statistics compiled by the international institutions Pakistan is still rating in class of low income countries with instable political environment. (Mahmood, Azid, & Siddiqui, Democracy and Economic Growth in Pakistan, 2010)

Method

Variable

This study follows a univariate variable External Debts of Pakistan which is bifurcated into two different regimes i.e. Military and Democratic. We have taken the data of last 42 years starting from 1972 till 2012 and collected from the official Publication of World Bank (WB).

Statistical Technique

In this research we study the comparison of External Debts in two different regimes, Democratic and Military. In order to find which rule has been over-all providing less average annual External Debts in their rule we used the Independent-Sample T-Test. Through this test we are able to make our decision. For data analysis purpose Statistical Package for Social Sciences (SPSS) is used.

Results and Discussion

Graphical Representation



The graph depicts a positive trend in external debts with reference to time which is more evident in the time period of 2007 till 2012. In order to check growth in external debts, we applied growth model.

Model Summary and Parameter Estimates

Dependent Variable: Ext_Debts

Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Growth	.960	950.893	1	40	.000	22.302	.063

The growth model is applied considering external debts as time dependent whereby its explanatory power is 96% which is highly significant as F statistics is quite higher than 4. Furthermore, average growth across the total tenure is 6.3% which is significant at 1%.

Group Statistics

Regime		N	Mean	Std. Deviation	Std. Error Mean
External Debt	Democracy	18	3.09E10	1.789E10	4.216E9
	Military	23	2.02E10	1.311E10	2.733E9

The total time period is bifurcated into democratic and military regimes. It is evident that average debts in democratic regime are substantially higher than military regime. Moreover, military regime has lower standard deviation despite the fact that its sample size is higher.

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
								95% Confidence Interval of the Difference		
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
External Debt	Equal variances assumed	.635	.430	2.222	39	.032	1.075E10	4.838E9	9.628E8	2.054E10
	Equal variances not assumed			2.139	30.168	.041	1.075E10	5.024E9	4.902E8	2.101E10

Independent sample t-test is applied in order to assess which of the regimes has higher average external debts for its respective tenure. Levene's test is applied for equality of variance – a pre requisite to t-test. As equal variance assumed hypothesis is failed to reject because sig value is not less than 0.05, we will follow its corresponding t-test values which suggests that the mean difference of external debts between the two regimes is significant as t-state is greater than 2 followed by corresponding sig value (0.032) which is less than 0.05.

Conclusion and Future Research

Conclusion

When government is efficient and effective, it relies on domestic resources and it delivers. External debt is a barometric variable to judge government's efficiency. This research paper aims to compare average external debts between military and democratic regimes across last 41 years ending in 2012 which has a different combination of military and democratic regimes. External debts of Pakistan have got a significant average growth of 6.3% per annum. Further, military regime has a statistically significant average external debts compared with democratic regime. It is concluded that military regime proved better for economy.

Future Research

Researchers can follow up with the same topic but considering other countries. They can opt for comparison between two countries considering the factor of political regime or else can also consider the factors of use of technology, foreign investment, trade, etc.

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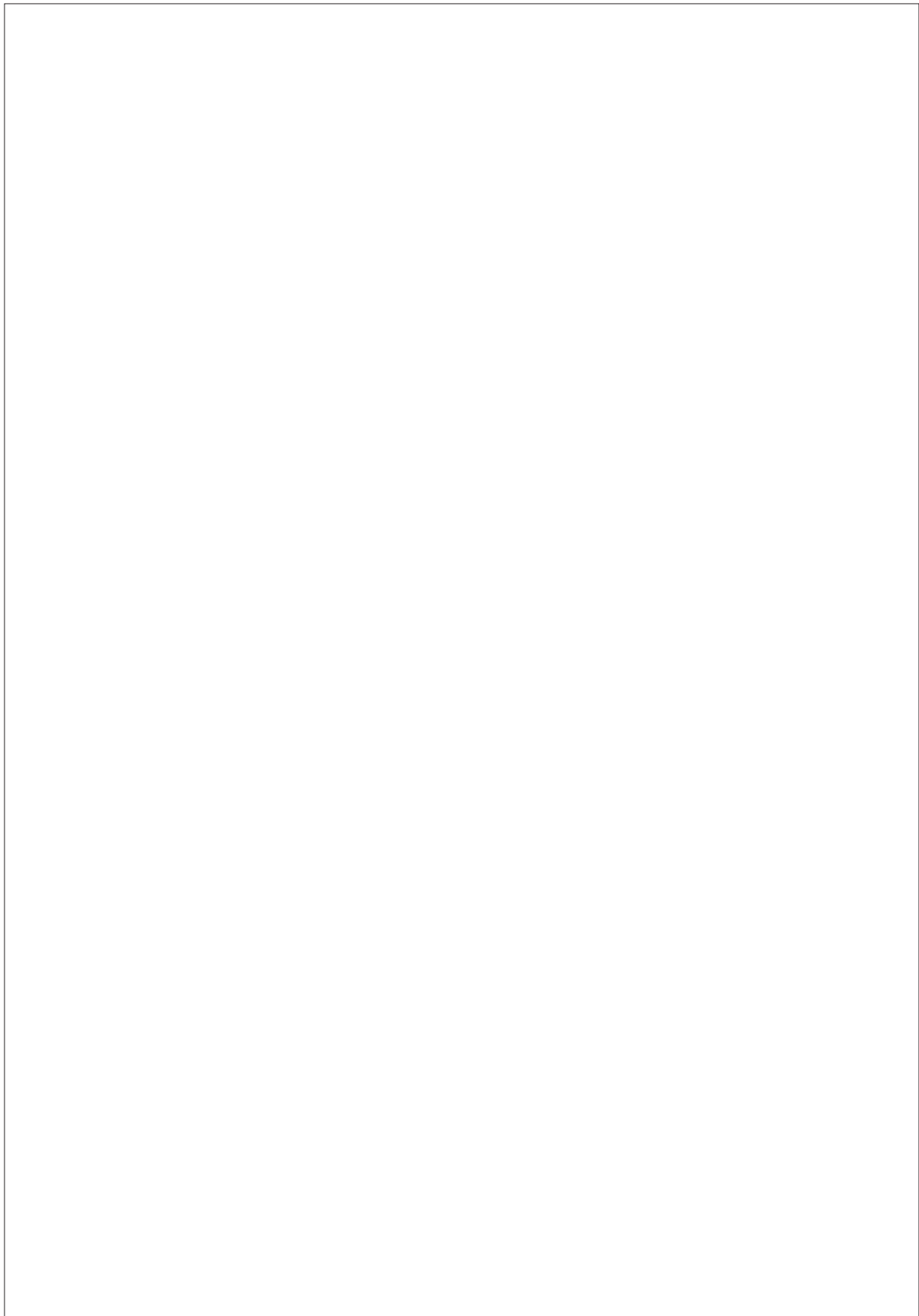
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Failure of IMF Programmes: Causes and Consequences

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The paper attempt to find out causes and consequences of the adoption and implementation of IMF programmes since 1988. Basically Pakistan singed different agreements with IMF to improve its economy through the adjustment of monetary and fiscal policy during the decade of 1990's. The in-depth analysis of Structural Adjustment Program shows that IMF policies totally failed to bring any macroeconomic stability. Instead they contributed towards worsening of the economic situation, with dire consequences for vulnerable sections of society besides producing negative effects for the political system, resulting in the breakdown of nascent democratic system again and again. The primary reason for the negative effects is attributed to inflationary nature of structural adjustment programmes. The attempt to control demand thorough demand deflation by forcing the recipient country to devalue currency, increase interest rates, withdraw subsidy and adopt austerity measures through down-sizing and cutting expenditure on unproductive sectors of economy and sell public sectors enterprises to the private sector. Such an approach of IMF has contributed to the closure of industry and business, giving rise to scourge of unemployment and inflation.

Keywords: *IMF, Pakistan's economy, monetary and fiscal policy*

Introduction

Pakistan's economy was in precarious condition during 1988-2002. Some economists called this period "lost decade of development" due to the fact that the country was hit by political instability, institutional decay, financial indiscipline, soaring fiscal deficit, low level of revenue generation and growing mis—utilization of resources A as result, economy was thrown into deep waters of insolvency and bankruptcy. The growing dependence on external borrowings made Pakistan reliant on aid from the US, Western countries and international financial institutions like the IMF and World Bank. In an effort to rehabilitate its economy and address the issue of balance of payment, Pakistan accepted an IMF structural adjustment programme in 1988 under which it accepted raft of conditionalities.

Pakistan formally signed SAP with IMF in 1988 but the history goes back to the early years of Pakistan. It joined IMF in July 1950 and the government of

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Pakistan approached IMF formally in 1958, requesting for SDR 25 million under Standby arrangement for ten months. But this loan was cancelled. During 1960s, two more Standby arrangements were made; first in 1965 and the second in 1968. In 1970 under the military regime of Yaha Khan, the IMF was approached and Pakistan was granted SDR worth 330 million under Standby loan. This development was not surprising because the IMF is usually very benign to military regimes and hostile to democracies. It provided loans easily to dictators like Ayub Khan and Yahya Khan. The attitude of IMF was not that much friendly towards Zulfikar Ali Bhutto due to the socialistic nature of his economic programmes and policies.

Bhutto preferred economic policies ensuring the distribution of resources of the rich, which they had accumulated in the last three decades amongst poor and marginalized classes of the society. In this regard, he went for the nationalization of industries that earned him the dislike of the industrialist class. The IMF removed Bhutto's regime from the list of favourites on account of socialist agenda favouring empowerment of poor and inviting their participation in the affairs of the country. It was in this context that Bhutto had to tell the IMF to "go to hell", we don't want your money". The 1980s witnessed changes on the economic front. The state-centred development models of earlier years were rolled back in favour of market liberalization, deregulation and privatization. The economic aid that was used to be given to the developing countries was withdrawn and the loaning form World Bank and IMF was made conditional with structural adjustment programmes. The countries facing the balance of payment problem were qualified to approach IMF for Standby loans. Pakistan signed four such agreements. They were signed in: 1) Nov. 1980, 2) December 1988, 3) Feb 1994 and 4) July 1997.

Methods

The study adopts a critical and qualitative methodology. The reason for this is straightforward: there already exists sufficient empirical material in the form of policy statements, monitoring and assessment reports, and statistical data concerning the design and implementation of SAPs in Pakistan to allow for a critical evaluation of their impact both at the national level and for those communities it affects. Thus the study is based on and historical, political economy approach to Pakistan's development policymaking regime, informed by a reading of the relevant theoretical literature. This enables consideration of the changing international context of the so-called 'counter-revolution' in development policy and the institutional arrangement for its enforcement. It also allows for an assessment of the economic reforms that have been put into place

by successive Pakistani governments, notably on key issues of economic growth, foreign resource inflows, and grassroots initiatives for poverty eradication. In particular, the study focuses on the impact of political conditionalities for the success or otherwise of SAPs in Pakistan.

In this way, it is hoped to develop some meaningful criteria for the assessment of the programmes and their results. The study makes use of the considerable primary data produced by both the IMF and government of Pakistan itself in order to carry the analysis. This has mainly been sourced electronically through the World Wide Web, State Bank of Pakistan and through newspaper sources from Pakistan. This is supplemented by wide use of two other main bodies of literature - the general literature on the political economy of development and specific case studies of Pakistan's experience of structural adjustment. In doing so, it is hoped to bring out both the general lessons of development policymaking as it has emerged over the last two decades as well as the unique trajectory of Pakistan as its leaders have attempted to construct effective bargaining strategies and response.

1988 Agreement

Since the emergence of Washington Consensus policies constituting dominant base of neoliberal ideology shaping up and controlling the economic policies of developing countries, Pakistan under Zia embarked upon the policy of economic liberalization. The nationalization process initiated under Bhutto was rolled back under the denationalization policy. Further, Zia regime signed agreement with IMF in 1988. There was a 180 degree shift in IMF policy towards Zia and IMF offered very generous loans.

According to Abdul Khaliq (2010), in 20 years (1958-1971) Pakistan had collective IMF package of worth US \$ 460 million. However in Nov. 1980 it extended a huge amount of \$1.27 billion to Zia regime through long term Extended Fund Facility (EFF). The amount was three times the amount lent through 7 SBA packages in preceding 20 years.

The pampering of Zia at the hands of IMF was attributed to geo-strategic shift in the region rather than to economic one. Abdul Khaliq (2010) observes that,

IMF invariably magnanimity towards Zia regime can easily be attributed to the two major Geo strategic factors at the time; Iranian revolution and Soviet Union's intervention in Afghanistan. . But according to IMF there were economic reasons. However, under the agreement, Zia regime was bound to carry out economic reforms, of which main condition was to reduce fiscal deficit besides asking government to increase the prices of public enterprises like fertilizers,

cement, electricity, clean water, and education and health services. The agreement also included the conditionality of raising indirect taxes and withdrawal of subsidies.

On the practical side, the budget deficit in 1980-81 was 5.8% but it shot up to 9.11% in 1985-86. The Government, being hit by persistent financial crises, once again approached IMF for further assistance but IMF showed its dissatisfaction and asked the government to implement following conditions:

1. Rupee be devalued by 20% in terms of dollar;
2. The imports be liberalized;
3. Prices should increase and subsidies be withdrawn;
4. Custom duty on imports be decreased and sales and exercise duty be imposed in the country; and
5. The industrial sector be liberalized from govt. control through deregulation and privatization.

The Structural Adjustment and Standby Arrangements- 1988-2000

Structural Adjustment Facility 1988: The structural adjustment facility signed by Zia and ratified by Benazir regime in December 1988 was a comprehensively tough package which was to be implemented over a period of three fiscal years. According to the programme, the overall fiscal deficit was to be reduced to 6 per cent of GDP in fiscal year 1988-89 and to 4.8 in 1990-91. It was proposed that there would be a substantial reform of the tax system in order to increase revenue. There would be considerable increase in taxation in rates. General tax was to be applied to products taxed at lower level. The government would broaden the tax base of general tax to domestically produced products. The yield of non-tax source was to be increased by raising user charges. Increase in the cost of domestic and imported petroleum was to be passed on to domestic consumers.

The following were the key conditions of 1988 structural adjustment programme

- a) Reduce the overall budgetary deficit from 6.5 per cent of the GDP in 1988-89 and to 5.5 per cent in 1989-90 to 4.8 per cent in 1990-01;
- b) Contain the rate of inflation to 10 per cent in 1988-89 and reduce it gradually to 7 per cent by 1989-90 and to 6.5 by 1990-91;
- c) Reduce the external current account deficit to 3.4 per cent of GDP in 1988-89, and further to 2.8 per cent by 1989-90 and 2.6 by 1990-91;
- d) Reduce the civilian external debt service ratio from 27-28 per cent in 1986-88, to the sustainable level of less than 22 per cent in 1990-91;
- e) Increase gross official foreign exchange reserves from the equivalent of

above three week of merchandise imports at end-1987—89 to a level of about seven weeks of imports by 1990-91; and

- f) Contain the growth of domestic credit and money supply in line with the growth of nominal GDP at the target rate of inflation, with sufficient allowance for the desired increase in net foreign assets.

Implementation of Conditionalities

The set of conditionalities attached with 1988 adjustment package were incorporated in the budget of 1989-90. Sales tax was imposed on 44 items. Excise duties were imposed on some other services such as travel, advertisement and hotels in addition to telephone, post and telegraph. Tariffs were imposed on key urban services like water and sewerage.

In Agriculture, the government reduced the support price for essential crops like wheat, rice, cotton, sugarcane and oil seeds to ensure that they were in line with the levels and trends in international market prices.

If seen in the broader perspective, Pakistan's economic policies, management and performance since 1988 have been almost totally determined by the country's adherence to IMF sponsored structural adjustment programmes. Almost without exception, the policy measures undertaken by the various governments in power since the implementation of the 1988 programme followed very closely the details in the Policy Framework Papers, which outlined steps that the government was to undertake after signing the structural adjustment programme document. The programmes were so minutely detailed that the government had little need to be innovative, and merely followed steps that were incorporated in the programme document.

In fact since 1990, the government strictly followed the macroeconomic policies suggested by IMF, without taking into consideration the difficulties of the common man. The difficulties could have been avoided by increasing direct taxes and imposing new taxes like gift tax, but they were not in the list of prescriptions of IMF. Similarly, the adverse balance of payment could have been restrained by imposing import control but this is against the very concept of liberalization policy of IMF.

Standby Arrangement 1993

IMF Standby Facility was signed in 1993 for SDR 26 million for three years with conditionalities which have become part of the IMF programme. The Budget of 1995-96 reflected a controversy between the Government of Pakistan and IMF. According to the agreement, budgetary deficit had to be reduced to 4 per cent of

GDP while Pakistan had reduced it to 5 per cent. Another controversy was regarding the reduction of tariff rates. According to the agreement, it was to be reduced to 45 per cent while the government had reduced it to 65 per cent only. The government's point view was that they had not gone against the objectives of the programme but they had only slowed it down because heavy taxes would have to be imposed to reduce the deficit to 4 per cent. Similarly, reduction in tariff rates would have affected revenue. Moreover, industries were to be given to adjust to new competition from abroad. The IMF did not agree and suspended Extended Structural Adjustment Facility (ESAF) and Extended Fund Facility (EFF) programmes. In fact they went to the extent of eventually cancelling both lending.

Hardly four months had passed that Pakistan had to change its approach as the fall in exports and decline in foreign exchange resources from 2.7 billion US dollars in June 1995 to 1.2 billion dollars in October 1995 led the government to devalue the rupee by 7 per cent and impose the regulatory duty of 5 to 10 per cent on imports. Further a rise of 7 per cent was also imposed on petroleum prices. After taking these measures, Pakistan approached the IMF for Standby loan of 600 million dollar at a market rate of 5 per cent to be repayable in 15 months. It indicated how strong the hold of IMF on the Pakistan's economy was.

The most sever crisis occurred in the aftermath of nuclear explosion conducted by Pakistan on May 28 1998. The seven month period – a period up to the approval of IMF programme in January 1999 – was a period of real trial and the country came close to the brink of default.

If we evaluate minutely, the main focus of the IMF programmes since 1988 remained fiscal deficit. While concluding all long and short term agreements, Pakistan was told by the IMF to lower its fiscal deficit to 4 per cent of GDP. The ways of achieving this have involved high taxation and a decrease in public expenditure. In three years alone (1994-97), additional taxes of Rs 140 billion were imposed on the people without a significant widening of the tax base. Those who were already paying taxes had had their tax burden increased through higher sales taxes and other indirect taxes, while the expansion in the number of new direct taxpayers had been negligible. Despite this surge in mainly indirect taxation, the government was unable to meet the 4 per cent target, and had to resort to a reduction in public expenditure.

Had the reduction been in the form of a cut in wasteful current expenditure, this step by the government would have been welcome. However, the largest cuts in public expenditure came in the area of development. From 9.3 per cent of GDP in 1981, development expenditure fell to only about 3.5 per cent in 1996-97.

During the fiscal year 1996-1997, the original allocation for development expenditure of a mere Rs 105 billion was further slashed to Rs 85 billion. Another key area of the adjustment programme has been a reduction in tariff rates from 12 per cent in 1992 to 45 per cent in 1999. Along with this, the government was continuously raising the administered prices of utilities such as electricity, gas and petroleum products. The selling-off of state-owned enterprises, or privatization, also formed part of the adjustment package, as was the continuous devaluation of the Pakistani rupee.

Consequences

- i. The programme's main ingredients were privatization, devaluation of currency, increase in user's charges and abolition of subsidies. It was evident that it would lead to inflation and to increased disparity between classes.
- ii. The switch from the fixed exchange rate to the floating exchange rate leading to massive devaluation of the currency made the imports expensive as more rupees had to be paid for every dollar and it made the exports cheaper.
- iii. The imports of about 308 banned items were liberalized as a result of the total value of imports increased considerably; it also resulted in adverse balance of payment. Moreover, a liberal import policy had an adverse effect on the growth of industries.
- iv. Increase in user charges meant increase in the price of electricity, fuel and gas, which affected the common man severely and led to high rise in the cost of production. Subsidies were reduced on essential items like wheat which hurt the common man. Reduction in subsidy for fertilizer and pesticides discouraged small farmers in their use.
- v. In order to provide incentives to private sector, reduction in direct taxes were advocated without any consideration towards income distribution. It has resulted in widening the gap between the rich and the poor. It needs to be mentioned that economies like Pakistan with preponderance of poverty and inequality require direct intervention and cannot be left to the market operation.
- vi. Pakistan's was higher investment in infrastructure sector, institutional changes in rural sector, more inflow of capital and better strategy for income distribution, but these steps were not in the priority list of IMF.

Furthermore, there were substantial social costs for partition. Given below in figures summarizes some of the social costs:

- 17 million children were out of school in 1995.
- 60 million people do not have access to health facilities.
- 67 million are without safe drinking water and 89 million are without basic sanitation facilities.
- 740,000 children die a year, half of them because of malnutrition.
- One-half of primary school children drop out before reaching grade five.
- Against 100 males, only 16 females are economically active;
- 36 million people live below poverty line;
- There are nine soldiers for every one doctor and three soldiers for every two teachers.

Impact of SAP on Poverty and Income Distribution

- According to Kamal (2001) poverty in Pakistan increased sharply from 17.8% persons falling below poverty line to 22.4% from 1987-88 to 1992-3. The incidence of poverty was more widespread in rural areas (34.8%) as compared to urban areas (25.5%). Unemployment also increased from 4.7% in 1992-93 to 6.4% in 1998-99. The data was collected from Household Income and Expenditure Surveys (HIES) and Pakistan Integrated Household Surveys (PIHS) conducted by the Federal Bureau of Statistics. He concludes that under the stabilization programs, the public investment tends to fall with a very strong multiple impacts on employment and poverty as public investment focuses on construction of projects that are labour-intensive.
- Khan analyzes the poverty during adjustment era and argues that cutting expenditure translates into cut in subsidies and expenditure on social sector. Using the Household monthly income data, he shows that real income decreased from 1987-88 to 1990-91 and concludes that structural adjustment policies are detrimental for the socio-economic well being of the poor. Gera had conducted a detailed study of poverty in adjustment by comparing two periods, i.e., pre-1977-78 to 1987-88 and post-1988-89 to 1997-98 and found that most of the stabilization indicators failed miserably and 14 million people fell into a state of poverty.
- Abid Hameed and Anila Nazeer (2009) in their notable work examined the impact of trade liberalization on poverty and inequality in Pakistan by employing Granger causality testing (VECM and TYDL approach). They analyzed the data on poverty, income inequality, gross domestic product (GDP), population, unemployed labour force and employed labour force collected from economic survey of Pakistan over the period 1970-2004.

The report points out that while trade liberalization allowed many LDCs preferential market access to from both developed and developing countries, but this does not necessarily help in poverty reduction. The findings indicate that globalization reduces poverty in the long-run and generates employment opportunities, but at the same it widens inequalities between haves and have-nots.

- Although globalization is considered healthy for economies, its adverse effects may result in increasing poverty and income disparity. They concluded that if Pakistan wants to benefit from economic globalization, then it must adopt pro poor growth policies by investing in human development and providing social safety nets for the poor.

Conclusion

Pakistan joined IMF programmes with the hope that they would minimize poverty, if not eliminate, but we witnesses different results during the period of adjustment. Poverty was rising, the social and economic inequalities were widening and unemployment was soaring. Most of the economic analyst described adjustment period of nineties as lost decade of economic development, with severe consequences for the poor and middle classes.

One of the major factors in the failure of IMF programmes was the lack of commitment on part of different civilian governments as they were unwilling to implement IMF conditionalities keeping in view the anti-poor nature of the programmes and further they were inflationary in nature, designed to control the demand in order to balance the budget through monetarist approach. However, considering that SAP would create backlash from the masses, who were already groaning under the weight of poverty, characterized by unemployment and plummeting foreign direct investment, different political regimes avoided to enforce anti-poor provisions of the reform package such as withdrawal of subsidies and downsizing.

If Pakistan really wants to minimize poverty, it has to improve governance and ensure fair distribution of resources by socializing the means of production. That it can do by creating institutional mechanism.

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