CONTENTS

Volume 4, Number 2, December, 2014

Editor’s Introduction 4

INVITED PAPER

International Communication – a Strategic Approach – 7
Cornelis Reiman

RESEARCH ARTICLES

1. Institutional Managers’ Business Administration Skills and Income Generation Capacity in Colleges of Education in South West, Nigeria - P.O. Okunola and A.A. Adekunle 24

2. FDI versus Kirana Stores: A Political Gimmick or Battle for Survival - Ritika Gauba and Ravi Dhingra 40

3. Are Accelerators an Option? The Impact of Accelerators on the Indian Start-up Ecosystem - Apoorv Ranjan Sharma, Manoj Joshi and Balvinder Shukla 61


5. Intellectual Capital Disclosure: A Comparative Study of Information Technology Companies of India and Bangladesh - Sumon Bhattacharjee and Swadip Bhattacharjee 94

CONFERENCE REPORTS

ICMC 2014

International Workshop on Communication in the Era of the ASEAN Economic Community, Shinawatra University, December 17th-18th, 2014

BOOK REVIEWS

1. Cheesman, Nick, Monique Skidmore and Trevor Wilson, eds., Myanmar’s Transition: Openings, Obstacles and Opportunities – John Walsh

2. Williams, Michelle and Vishwas Satgar, eds., Marxisms in the 21st Century: Crisis, Critique and Struggle – John Walsh


CALL FOR PAPERS

AUTHOR’S GUIDELINES

ABOUT SHINAWATRA UNIVERSITY

EDITORIAL ADVISORY BOARD
EDITOR’S INTRODUCTION

Welcome to the *SIU Journal of Management*, Vol.4, No.2 (December, 2014). We celebrate another year of survival, those of us who have survived, intact or otherwise, the slings and arrows of outrageous fortune. The year of 2014 has been a desperate one for the working people of the world, who have been assaulted on different fronts by the world’s 1%, whether through the crisis of austerity, the hiring of heavily armed thugs or other means. Repairing the damage inflicted this year will take decades, while the perpetrators will be free to live off their ill-gotten gains, whether in cash or other benefits and advantages. How should we deal with the useful idiots who stood alongside the hired goons, sycophants and cronies? Who wore the corrupt colours and refused to acknowledge humanity – whose hatred of the other has brought many developing countries to a crisis of hatred and lies? We are called upon, as usual, to be better than them.

In this issue, we welcome an invited paper, six peer reviewed papers, two conference reports and three books reviews. The invited paper is by Dr. Cornelis Reiman, the original version of which was delivered at the International Workshop on Communication in the Era of the ASEAN Economic Community, held at Shinawatra University in December 2014. Dr. Reiman argues for a professional approach to communication and an understanding of the multivalent needs and uses of contemporary communication.

In the peer reviewed papers, P.O. Okunola and A.A. Adekunle discuss the nature of school administration in an age of capitalist intrusion in Southwestern Nigeria – I am pleased to be able to extend our coverage to Southern Africa and much enjoyed my trip to Durban earlier in the year to chair a conference at the Durban Institute of Technology. Ritika Gauba and Ravi Dhingra consider a different aspect of a more advanced spread of capitalism, in this case as expressed in the competition between international or multinational retail companies with the local options, notably the *kirana* stores of India. They hint at
the complexity and ambivalence of the situation. In similar vein, Apoorv Sharma, Manoj Joshi and Balvinder Shukla describe the situation relating to accelerators in India, which are intermediary companies that help to enable start-up companies and act in concert with incubators. These are early days for such ventures but results are promising for greater success in the future.

Approaching a different issue, M.M. Islam and Sayed Azfar Hussain consider the issue of negative economic conditions and suicide. This is research in the tradition of trying to quantify the damage to the lives of people perpetrated by the contemptuous ruling classes and their lackeys, as expressed in contemporary capitalism.

Meanwhile, Sumon Bhattacharjee and Swadip Bhattacharjee look at intellectual capital disclosure among companies in India and Bangladesh and draw some conclusions as to how this might be improved. Finally, Ritika Gauba and R.C. Mishra consider service provision at a leading bank in India and note the shortcomings still very evident.

Conference reports and book reviews highlight a more positive or optimistic approach to the world than is evident from the mundane world. It will be necessary, in 2015, for the forces of good to patiently undermine the evil inflicted upon us by the incredibly-rich and their lackeys. Let’s hope we make it until 2016.

John Walsh, Editor, SIU Journal of Management.

Opinions expressed in this introduction belong to the editor alone and should not be ascribed to Shinawatra University as a whole or any individual member of it.
INVITED PAPER
International Communication – A Strategic Approach

Cornelis Reiman

Abstract

Communication is a tool, as well as a weapon, that can facilitate interpersonal and international relations. This paper reviews the related issues by dissecting communication to reveal its composite parts, plus identifies what constitutes effectiveness and professionalism in each case. As a direct consequence, strategic scenarios are presented, and transnational examples arise that highlight key features of this important topic.

Author: Dr. Cornelis Reiman is an effective international businessman who is comfortable equally in academia as he is in commerce and industry. He is a qualified accountant, plus holds exceptional professional qualifications in corporate governance, computing, marketing and management. He was the inaugural Dean of Postgraduate Studies and an Executive Vice President at Shinawatra International University. There, he led a small team that shaped a new MBA school. He was also Vice President, Chief Operating Officer and Chief Technology Officer at Universitas 21 Global, a premium online graduate school. This was established in Singapore by sixteen of the world’s best universities. More recently, he was President of a commercial entity spanning eleven countries that had comprised the former Soviet Union. Based in Thailand, he is active in consulting and academia. He is also on the Advisory Board of the Shinawatra International University Journal of Management. As well, he was an Independent Director of the largest professional accounting body in Kazakhstan, which gained membership of the International Federation of Accountants because of his guidance. Dr. Reiman has written about
technology, business, turnaround management, international trade and culture. In addition, he compiled and edited a book on social media, plus co-authored an encyclopaedic work on International Financial Reporting Standards when seen from a technological perspective.

1. Introduction

As stands to reason, communication is a natural part of life, as well as a very necessary one when we deal with people, whether at home, at work or elsewhere. It is a valuable tool that can be used very effectively in making ourselves understood. However, it cannot be forgotten that communications can also be used as a weapon when inflicting pain upon people. Consequently, how anyone communicates can beneficial or detrimental. Actually, communication is not straightforward. When looking at that vital part of our lives further, we can see a few related issues, which are summarised in the following list.

- Linguistic
- Visual
- Verbal
- Physical
- Temporal
- Attitudinal

Exhibit 1: Communication Issues; source: Author

Consider these for a moment. We communicate in many ways, whether in the spoken or written form, as well as how we present ourselves, or react to what is communicated by others. Timing is another aspect of communication. All of that is affected by attitudes, as would be apparent to anyone when they see how people can be.
More so, they are not always behaving in a consistent manner. That can affect others considerably and negatively.

Let us now consider each of these issues in turn.

2. The Linguistic Issue

Many languages exist. Ideally, any language used in communication must be understood. It is more than apparent, therefore, that all parties to the same form of communication, such as a conversation or conference, should understand the same language. However, that does not always work as well as you might expect. Native speakers of any language, for instance, have a distinct advantage over others who are non-native and thus, lack the so-called mother-tongue. Even people living within the same country can have access to conflicting versions of the same national language due to regional differences. In this regard, consider that Spanish in Mexico is not the same as that in Spain, or that UK English is not identical to US English. Taking this splintering further, sub-cultures can arise in any society that allow member of each cohort or collection to pursue dissimilar versions of the same language. Here, consider industry-specific groups that have jargon and acronyms not understood anywhere else.

Generally, whenever language differences arise, translation services are necessary. Otherwise, at least one party involved with any form of communication is at a disadvantage. I am reminded of when I worked in the former Soviet Union. A translator was necessary for me at all time, even when people there knew some English. Having a lawyer with me also proved to be useful due to incompatible laws. Suffice it to say that language proficiency is the key to effective communication as that extends understanding, as well as delivery of any associated details. This brings us to the next subject.
3. The Visual Issue

Once again, it is likely to be obvious that communication is not just verbal. There is text, as we see with writing, printed material, emails and electronic messaging systems, such as in social media applications and on phones. Literacy is crucial, as is good eyesight, which might be apparent, too. Then there are reports that can be technical in nature. Here, consider financial reports, such as corporate financial statements or information provided by scientific specialists who, for instance, are engaged to conduct an environmental impact study. Another form of visual communication is Morse code, which can be delivered by lights, as well as by the familiar ‘dee-dee, daah-daah’ sounds of a related transponder and receiver. You might have seen naval ships at sea using this form of communication, as well as Semaphore signals. Again, knowing the related language is crucial.

Another form of visual communication is graphics, as well as colour. These can embellish the written word considerably, as can also be said for reports. Note that these elements can take on different meanings in various cultures. Red, as an example, has greater significance for Chinese people than for Westerners. Positive sentiments related to red also apply in the former Soviet Union. When organizing strategic planning workshops there, an American executive suggested numbering each set of people from one through five. She was told that this would lead to instant differentiation as all people in Group One would feel superior to everyone one else, just as the rest would feel themselves to be second-rate in comparison. Upon hearing that, the woman suggested the use of colours, including red. The same problems of one-upmanship applied, which she was unable to understand. Actually, her cross-cultural insensitivity led to rapid deterioration of discussions and people stormed out of the room in disgust.

Yet another form of visual communication includes secret messages and puzzles that are used to hide the true meaning of what is being
shared. While not commonly use, these are popular in war-time and, of course, require participants to know the related language or code, in order to exchange messages effectively.

4. The Verbal Issue

Speaking between people is a very familiar and regular way that information is exchanged. We do that every day. For a moment, just think about how people talk, as well as what they say. Tone, for instance, is a characteristic that tells you something about what is being said. The same applies to the pace or speed of speech, as well as the volume or loudness. All of this is employed in delivering the crucial content of any speech or discussion.

Give some thought to how you speak, and also consider the distinguishing features of how various people express themselves. Of course, a great deal is communicated other than the content. That includes the mood, manner and other egoistic aspects of a speaker. We look at those elements in a subsequent section to do with attitude.

5. The Physical Issue

Just as the aforementioned qualities of a person’s voice can tell you more about a person and what they saying, consider their so-called body language. This is the physical presentation of a person’s state of mind when communicating with you or with anyone else. Here, consider if someone is passive and, therefore, remains open to what people say to them. In strong contrast, you could also give thought to someone who is the exact opposite, being aggressive in their manner and closed to the views of other individuals. Facial expression and gestures form a part of body language, as does the way that the body is presented otherwise. A simple example would be someone who has their arms folded across their chest. This is a defensive pose that is likely to indicate non-receptiveness to what is being said to them, just as is shows their disinterest in the topic.
It is worth noting that cultural differences exist in relation to simple gestures and posture. Consequently, miscommunication of this physical information is possible. For illustration, give though to how Asian and Western people present themselves. There are many differences that accentuate the respective communal and individualist tendencies of these cohorts. Asian people, for instance, tend to be passive and less assertive, perhaps going so far as to avoid eye contact. A Westerner might interpret that as a sign of dishonesty because direct eye contact is avoided an Asian person.

6. The Temporal Issue

Communication is not only about what is shared, or how that is done in terms of the language used, whether it is linguistic or physical, as we saw before with bodily positions and movements. The issue of timing needs to be understood as something conveying information, too. Primarily, this refers to the responsiveness of someone. Do they show any sense of urgency and understanding of the need for an immediate response? Or, are replies delayed? Email or text messaging should not be considered reliable in terms of the way to facilitate a speedy delivery or solicit a reply. This is because people can access the messages minutes, hours or days after these are received. That might be due to them being busy, distracted or not wanting to respond promptly, if at all.

In comparison, a phone call or face-to-face conversation happens in real-time and offers instant gratification for anyone seeking an answer. Of course, the other person can still be slow in responding and that gives the caller additional detail about someone’s willingness to participate in the conversation, just as it can express their level of knowledge, as well as how fast they are able to process requests or access the related answers. Timing of any response, therefore, provides useful information. As already suggested, maybe tardiness is due to laxness, or distraction. Then again it could also be due to a person’s complete lack of enthusiasm to proceed. Accordingly, a very
slow reply or none at all, speaks loudly about how that person acts and thinks. This can also apply to reactions associated with electronic communication or postal correspondence.

Simply, we can see that basic communication is something that exists between two people who share the same language, as well as other aspects that accompany any transmission of information. However, the urgency of an exchange can lead to a range of possibilities that depend upon the context, such as whether everyone is as earnest about promptness. Possibly, significant differences exist that cause less than an optimal flow of words or data.

7. The Attitudinal Issue

An additional issue related to communication is to do with the attitude of people engaged in any exchange. Personal preferences, for instances, can influence their behaviour, as well as what is said by them, or written or posted electronically. At this point, I am reminded of a man who, to put across his annoyance, sent an email that was almost entirely made of capital letters. It was very unprofessional, as well as entirely unnecessary. Similarly, I have seen people behave in ways that indicate, if not over-state, their state of mind at the time. Perhaps you might give thought to similar situations in relation to people with whom you interact.

Appropriateness of behaviour, and of any associated communicative style, is the critical concern. What is acceptable? Ideally, no attitude is best! Of course, we can admit that the context of any discussion can affect how people will behave. Also, that can have an impact upon what they might say or how that is done. Consider that trust, or a lack of it, can instigate an attitudinal change. Immediacy is another influential factor. There are sure to be more influences and this topic is revisited when we consider communicative strategies in a subsequent section.
As well, consider how emotional involvement affects attitude, as well and timing. For instance:

- You apply for a job;
- You submit your paper, project or thesis for assessment;
- You propose marriage.

In each case, generally, you are emotionally charged and have significant investment in the related decision. Also, you have substantial interest in getting a prompt response, of not a positive one, too. However, the other party might not so involved or interested and, if that is the case, they are sure to be slow to reply slower than you expect. That can lead to frustration, if not stressfulness. This can affect your attitude. You might also consider what constitutes effective communication, which is the next topic.

8. Effectiveness

We could agree that accuracy and reliability constitute effectiveness. If so, communication is perfect when both parties and any others involved, are like-minded. Let us, therefore, consider this more so by revisiting and consolidating what we have covered thus far. Specifically, we can see in Exhibit 2 below that the main issues of this paper are presented in a manner to suggest a range of possibilities in each instance. Our point of focus, though, is on the far right side of the table, which is shaded for that reason. There, we see what constitutes effective and, thus, what enables professional communication.

Specifically, optimal outcomes arise from communication when fundamentals are identical, such as when languages used by the sender and recipient are the same for writing and speaking. Ideally, most people would prefer to see passivity and openness when engaged with
another person for the purpose of communication. As well, the best form of communication occurs when responses are rapid and when the attitude of the other party or parties, is without any problems. I can add that some attitude might well be acceptance to someone if they behave similarly.

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Exhibit 2: *Effectiveness; source: Author*

Next, consider Exhibit 3 below. This shows the same information as we have just seen, although with an emphasis on everything other than effectiveness. That is highlighted in grey for added emphasis.

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Exhibit 3: *Ineffectiveness; source: Author*

At the left of this instructive table are indicative attributes that underpin ineffective and, thus, unprofessional communication. More specifically, we would expect such an outcome if linguistic, visual and
verbal standards were different so that people are unable to communicate. As well, ineffective communication arises if the physical dimension of any interaction, as expressed by body language, is aggressive. Additionally, we can understand that communication is unsuccessful if replies are delayed or do not arise at all. Plus, an unacceptable attitude on the part of one or more people can stop communication from occurring.

Note that the additional areas of shading, being those situated between ineffectiveness and effectiveness, are also relevant here. This is because we can agree that anything to the left of what we had considered to be optimal communication in every instance must, by definition, be ineffective.

9. Increasing Effectiveness

If any substandard communication exists, as we saw in the preceding exhibit, there is a chance for enhancing the related skills. In the case of someone, such as yourself, we can foresee that patience could be a key requirement, especially when dealing with anyone who is less than effective in delivering anything to you communicatively or when they respond less optimally than you expect. Similarly, emotional control can be something that needs work when people around you continue to pursue any form of communication in an ineffective manner. The opportunity for self-improvement is obvious if your personal objective is to be more effective and, thus, professional. That can also be necessary if you are the cause of ineffective communication, even if only slight. This might suggest the need for more thoughtfulness or, better still, additional education that brings you to a level of competency commensurate with attributes of effective communication, as were discussed previously.

If the deficiencies are in others, particularly when any of these people are in your care, there is a need for training, as well as motivation that
encourage necessary improvement, plus there must be an adequate level of management that monitors and assures development.

10. A Strategic Approach

Communication differs because of numerous reasons. We saw this before when considering associated aspects and related levels of effectiveness. In this regard, the fundamentals of an organization can be seen as an additional factor that affects communication. In an organizational context, therefore, we can consider strategies, policies and operations that require communication. Yet, the principles of these can vary so that the effectiveness of communication differs substantially.

For instance, consider private enterprise versus public service. One is driven by a profit motive, whereas the other, most often, is not. With greater time management being likely in the former, rather than the latter, communication is expected to differ regardless of the mode or the outcome, such as content and timeliness of any reply. In many instances, although mainly in the private sector, communications strategies are thought about, discussed, planned, implemented, monitored and managed. In other cases, a strategy comes about by default, meaning that the prevailing way of communicating is more in line with the norms of departments or individual people.

A communication strategy can be purposeful, or even accidental, in the case of a technical sales person when dealing with a prospective customer. In that situation, the sales person can use technical details to impress someone about a particular product, or even confuse the other individual, after which clarity is provided to suit business objectives. The communication strategy, therefore, is no more than a sales strategy.

Military communication, you would expect, should have absolute effectiveness as well as integrity with regard to keeping
communication only between intended parties. That would be a strategic requirement. Recall Morse code and semaphore signalling, as well as the use of codes. In addition, timeliness would be crucial as any delay could be costly.

The topic of timeliness is also vital in many entities were the aforementioned profit motive is strong. More evident, though, is the need for fast communication, rapid responses and quick decisions in start-up and turnaround situations, with which I am very familiar. In those scenarios, the success of a fledgling entity or the recovery of a failing one, has no time to waste. It is a matter of getting the job done and understanding little else. This situation is presented in the following exhibit.

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Exhibit 4: Urgency; source: Author

In this regard, imagine extreme cases for urgency. I mentioned start-up companies and turnaround projects as examples. In the former case, getting a company up and running, as well as delivering its products or services to the marketplace as soon as possible, is central to the birth or survival of a more mature business. In the latter instance, a failing business has no time to waste if a recovery is possible. With that a background, people in charge will expect the best from people, although there will be allowances for languages differences, especially in a cross-cultural environment. This is represented in the first three lines of the table shown above. Decisions
must be made and, hopefully, the differences tolerated will not be too problematic.

The same can be said for flexibility in relation to the physical and attitudinal issues, as are presented above in shaded grey areas. We explored these issues beforehand. A lack of rigidity is because there is no time to refine the people who are available in the office or in the workforce overall. Basically, there is not much time available to spend with them in any attempt to improve their presentation, behavioural style and attitude. Neither is there time to replace people who might not be optimal for the occasion. Consequently, the working environment is rough and extremely demanding, with all of that led by the one communication issue that cannot be allowed to waver from what is wanted. I refer to the constant requirement that communication must be prompt and that replies need to be immediate, as is also shown in the preceding table. Basically, delays in critical business situations, as for the military example, can have significant and deadly consequences.

Let us now consider another strategy, as is presented in the next table. That one relates to someone who is driven by an exceedingly strong, if not unhealthy, want to win. All communication elements in such a situation could be optimal, as suggested, except that their physical expression is entirely aggressive and thus, completely closed to anything other than their own view. Of course, we could also imagine that such a person could also have an unacceptable attitude in part or full. Yet, that does not always apply.

An appropriate example of this is when I met with people from Central Asia, with whom I conducted business. Pleasant though people are in Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan, in an important board meeting, they were excessively antagonistic, almost to the point of violence. Yet after that, we sat at lunch and chatted about our families, the food and the weather. A colleague had told me the same about his meetings with people in Azerbaijan.
In direct opposition to need for rapid communication, in the case of
the two preceding scenarios, an entirely unusual one is when complete
effectiveness in every regard, but for responsiveness. This is
represented by way of shaded areas in the following table, being
another version of one with which you are familiar. The strategy, in
this case, relates to absolute deferral of any reply.

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**Exhibit 5:** *Attack; source: Author*

This does seem to be a most unfamiliar one for us to review. Yet, that
is what happens, especially when you consider that the postponed
reply might be an apology. Now, for the sake of illustration, imagine
that I had, accidentally, spilled some water on you. I would have
apologised immediately and the chances are high that you would
accept the apology. Then, contemplate what you might do if I spilled
indelible ink on your best clothes just moments before you were to stand up and give a presentation to a room full of people. You might not be too keen to accept my immediate apology. It could be better for me to wait and, then, apologise later when you were calmer.

Let us take this picture a few steps further and imagine that you are seeking an apology for war-time crimes and atrocities. Think about this for a moment. Now, think of how Japan has remained silent for the better part of seventy years when many countries call for an apology for what was done by Japanese soldiers during the Second World War.

As another, more recent situation, consider the appalling laxness of the Roman Catholic Church for almost all of modern when confronted by people seeking apologies in relation to child abuse by clerics. Interestingly, when the Hare Krishna Movement was faced with the same situation, it apologised for all mistreatment and set a large fund to expedite expected calls for compensation.

While the example of communication strategies provided are not meant to be all-encompassing, it is worth thinking about strategic planning in relation to four corner stones upon which success this area stands. The first is that the objective must be clear. Next, there needs to be determination in pursuing any goal. Also, there will need to be complete inconsideration about the other party, or parties. In addition, there must be awareness of the ramifications upon all parties, including the one who had set and follows their communication strategy.

11. Conclusion

Communication, as we know only too well, is an inescapable part of modern living. It is the way that relays our views to other people, as well as for us to appreciate theirs. This is how learning begins and changes in thinking can occur that can improve the thinking of
someone, which can also have a positive effect upon their well-being, as can happen for anyone else, too. It is for this reason that all forms of communication must viewed as a tool with which to build a better world, especially when engaged with people situated internationally. However, it should never be far from our mind that communication can also act as a weapon that can cause assorted forms of injury.

It is for these reasons that I can see sense in remembering the old adage “Think before you speak,” although given the speed and reach of global communications, I could amend that saying to add “And think before you press Enter.”
PEER REVIEWED RESEARCH PAPERS
Institutional Managers’ Business Administration Skills and Income Generation Capacity in Colleges of Education in Southwestern Nigeria

P.O. Okunola and A.A. Adekunle

Abstract

This study examines the relationship between the School Business Administration Skills of Institutional Managers and income generation capacity in Colleges of Education in Southwestern Nigeria. Four hypotheses guided the study. A descriptive survey research design was adopted for the study. The sample consisted of 150 participants chosen from 10 publicly-owned Colleges of Education using a multi-stage sampling technique. The researchers constructed a questionnaire entitled “Institutional Managers’ Business Administration Skills and Income Generation Capacity Questionnaire” (IMBASIGCIQ) and this was used for data collection. Data collected were analysed using the Pearson Product Moment Correlation and Multiple Regression Analysis statistical tools. The result of the analysis showed a significant relationship between institutional managers’ school-community relationship skills, entrepreneurial skills, management strategies and human capital characteristics on the one hand and income generation capacity in Colleges of Education on the other. It was suggested, inter alia, that in order to improve on the institutional capacity of income generation, the school-community relation roles and skills of institutional managers should be strengthened, in addition to vigorous prosecution of their entrepreneurial drives.

Keywords: business administration skills, income generation capacity, institutional managers
1. Background to the Study

In Nigeria, as in other countries, education has been recognized as an instrument for achieving national development. The greatest investment any country can make for its development is the training of her citizenry by way of educating them to be able to acquire knowledge, skills and values or attitudes. In this vein, educational institutions at all levels become the bedrock needed for complete education of the citizenry. So, the administration of these institutions becomes a matter of great concern to everyone.

The National Policy on Education (FRN, 2004) states that the achievement of educational goals of the country is to a large extent dependent on proper planning, effective management and adequate financial support. In specific terms, the establishment of colleges of education in Nigeria is for the production of the middle-level teachers, especially for basic education and, in realization of this, the government both at the federal and state levels who are the proprietors of the institutions provide funds for the running of the institutions through yearly budgetary allocations. Adaralegbe (2004) observes that, with the huge amount of money annually invested in education, albeit that it is grossly inadequate, education had become a big business, making it second only to defence in the country’s budget allocation in recent times.

In spite of the efforts of the different governments of the federation to provide funds for tertiary institutions in Nigeria, notwithstanding the huge amount of money expended, these institutions still lack funds
adequately to implement various of their programmes. As noted by Oyedijo (2012), for Nigerian tertiary institutions, 1990s and the early years of the new millennium were and remain years of deep financial stress to which all of them will be eager to bid farewell. The main factors that have contributed to this situation are pressure for massive and rapid expansion of student numbers and decline in financial support for higher education from government and donor agencies.

One of the most talked about issues today in the Nigerian educational sector is the perennial and almost intractable problem of funding. This is because of the realization that no educational programme can be effectively implemented without adequate funds (Ekpoh, Ukpong & Edet, 2009). In view of the fact that the allocated public funds to higher education institutions are inadequate and, since the trend in government policies on higher education funding is not likely to be reversed, these institutions have been forced to look for alternative sources of funds (Bakkabulindi, 2005).

However, the extent to which these institutions would generate funds will be to a large extent dependent on the School Business Administration (SBA) skills of their managers. For fear of contradiction, the provost, who is the chief executive officer of the college, is officially mandated with the responsibilities of managing human, material and financial resources. In carrying out these functions, s/he is assisted by a retinue of lieutenants known as management staff.

Kuye (2005) states that in the last two decades or so, Nigerian higher educational institutions have come under severe pressure to cope with rapidly expanding numbers of students while, at the same time, the unit of resources provided by government has shrunk dramatically. This could be attributed to partial or non-release of approved budgets to institutions. According to him, the government has nowadays reduced budget allocations to an annual ritual, which is announced.
with fanfares and, at the end of the year, perhaps 50% of the total would actually be released.

SBA, according to Adetoro (2001), is the performance of executive functions which involves the implementation of policies or decisions and supervision of day to day activities of the school towards the achievement of interim targets and the short- and long-term objectives of the proprietors, who may be the government, private individuals or groups. Adeyemo and Folajin (2006) state that the school is a business enterprise within society and the school manager who is the accounting officer is required to look after the monies that belong to the school. It becomes important, therefore, that s/he should be adequately acquainted with accounting procedures and the relevant provisions of financial matters.

Shellard (2003) opines that successful operation of an educational institution requires competent administrators. Many school administrators have become more involved in public relations and fund-raising to secure financial support for their schools from local businesspeople and the community. In the same vein, Oghojafor (1997) posits that institutional managers should possess entrepreneurial skills. By so doing, s/he has to provide the incentives necessary to encourage qualitative performance, by improving the quality of teaching and research and the generation of supplementary resources, as well as making contributions to competitiveness and economic development. This will help to meet the dual objectives of forging institutional links and diversifying the financial base of the institution.

As a bureaucratic organization, the administrative structure in the school depends on its kind of ownership, government or private individuals or groups. Today, with the widening scope of SBA and changing technology, it is increasingly difficult for one person to understand the whole of the work or to acquire all the skills necessary for completing it. Consequently, institutions are made up of people
with varied levels of ability and authority, which causes employees to be organized usually into a hierarchical form, while the institution as a whole is divided into departments, sections and units. As a result, the right people should be put in the right place (Odemuyiwa & Kiadese, 2006).

Evans (as cited in Oghojafor, 1997) states that the individual level of human capital characteristics such as education, labour force, experience and occupational status affect people’s chances of business ownership and survival. In addition, some public entrepreneurs are motivated by non-economic rewards such as power, prestige, discretion, glory, a challenging job and the satisfaction obtained from serving society and the country as a whole. These characteristics and motivators, among others, can, therefore, propel institutional managers to initiate and enhance business opportunities and ownership in their institutions.

From the foregoing, it is evident that there is a need for revolutionising the management of higher education institutions to make them more efficient and in line with the present demands. Consequently, institutional managers should not be appointed because of academic excellence alone but also because of having previously demonstrated managerial effectiveness.

2. Statement of the Problem

Owing to the government’s inability adequately to provide the funds needed by institutions of higher learning to implement their educational programmes, those institutions have had to look both inwardly and outwardly for alternative sources of funding. However, experience has shown that managers of some Colleges of Education in Nigeria seem not to explore the school-community relationship in attracting well-meaning members of the community in providing funding supports for the institutions, lack requisite entrepreneurial skills, adopt non-business oriented management strategies as well as
non-possession of adequate human capital characteristics. These have been assumed to have implications on the income generation capacity.

It is as a result of these issues that this study examines the relationship between the institutional managers’ business administration skills and income generation capacity in the Colleges of Education in Southwestern Nigeria.

2.1. Research Objectives

The study sought to achieve the following objectives:

- to examine the relationship between institutional managers school-community relationship skills and income generation capacity in Colleges of Education;
- to examine institutional managers’ entrepreneurial skills and identify the relative contribution of each of the skills to the income generating capacity of Colleges of Education;
- to ascertain the extent to which those management strategies adopted influence income generation capacity and
- to determine the relationship between the institutional managers’ human capital characteristics and income generation capacity.

2.2. Research Hypotheses

The following hypotheses guided the study:

- there is no significant relationship between institutional managers’ school-community relationship skills and income generation capacity in Colleges of Education.
- institutional managers’ entrepreneurial skills do not significantly contribute to income generation capacity in Colleges of Education;
there is no significant relationship between management strategies and income generation capacity in Colleges of Education and institutional managers’ human capital characteristics are not significantly related to income generation capacity in Colleges of Education.

3. Research Methodology

The descriptive survey research design was adopted for the study. The population consisted of all management staff in all the fourteen government owned college of education in South Western, Nigeria. The sample consisted of 150 participants.

In each of the institutions, one institutional head, four Principal Officers, five Deans of schools and five Directors were chosen using simple, stratified and purposive randomly sampling techniques. The stratification was based on institutional type and location.

The researchers constructed a questionnaire entitled “Institutional Managers’ Business Administration Skills and Income Generation Capacity Questionnaire” (IMBASIGCIQ) and this was used for data collection. The instrument is made up of three sections. Section A sought the biodata of the participants; section B is patterned along the four-point rating scales of strongly agree, agree, strongly disagree and disagree and elicited responses with respect to the SBA skills of institutional managers, while section C contains questions requiring participants to rate the capacity for income generation in their institutions on three-point scales of high, medium and low. The higher the point measured, the higher the capacity for income generation.

The instrument was validated by expert opinion and the reliability of the instrument was ensured through a pilot study, which was conducted within an interval of four weeks. A reliability co-efficient (Cronbach’s Alpha) of 0.76 was obtained.
Data obtained from the study were analysed using multiple regression analysis and the calculation of Pearson product moment correlation coefficients. All hypothesis were tested at a 0.05 level of significance.

4. Data Presentation and Analysis

$H_{01}$: there is no significant relationship between institutional managers’ school-community relationship skills and income generation capacity in Colleges of Education.

This hypothesis was tested using Pearson product moment correlation coefficients and the results are presented in Table 1 below:

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>df</th>
<th>r-cal</th>
<th>r-critical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Managers’ School-Community Relationship Skills</td>
<td>150</td>
<td>20.62</td>
<td>6.24</td>
<td>149</td>
<td>0.61</td>
<td>0.14</td>
</tr>
<tr>
<td>Income Generation Capacity</td>
<td></td>
<td>18.38</td>
<td>4.80</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 1: Institutional Managers’ School-Community Relationship Skills and Income Generation Capacity; source: Original Research

Table 1 above shows that the r-calculated value of 0.61 is greater than the r-critical value of 0.14 given at 149 degrees of freedom and the 0.05 level of significance. Consequently, the null hypothesis is rejected, while the alternative hypothesis is accepted. It then means that there is a significant relationship between the school-community relationship skills of institutional managers and income generation capacity in Colleges of Education.
Ho$_2$: institutional managers’ entrepreneurial skills do not significantly contribute to income generation capacity in Colleges of Education.

Multiple R  0.63214  
R Square  0.61532  
Adjusted R Square  0.61502  
Standard Error  2.33380$^1$

**Table 2: Summary of Entrepreneurial Skills and Income Generation capacity; source: Original Research**

The above table reveals that the entrepreneurial skills (communication, financial literacy, innovation and creativity and risk-taking) of those concerned yielded a multiple regression (R) 0.632 on income generation. The combined effect of these factors explained 61.5% of the variance on income generation as shown by the coefficient of determination (R square =0.61532).

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>Sum of Square</th>
<th>Degree of freedom</th>
<th>Mean of square</th>
<th>F-Ratio</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>225.071</td>
<td>2</td>
<td>112.54</td>
<td>4.57</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>3618.502</td>
<td>147</td>
<td>24.62</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3843.573</td>
<td>149</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 3: Contributions of Institutional Managers’ Entrepreneurial Skills to Income Generation Capacity in Colleges of Education; source: Original Research**

The analysis of variance computed indicated an F-ratio of 4.57, which was significant at p<0.05. This clearly indicates that income generation is significantly predictable by the entrepreneurial skills identified above. These skills, when taken together, suggest that 61.5% of income generation was accounted for by the set of

$^1$ N = 150 unless otherwise stated.
entrepreneurial skills. In order to determine the relative contribution of each of the entrepreneurial skills in predicting income generation, the table below presents the parameter estimates of the contribution of each skill in explaining income generation:

The table below shows the significance of each skill investigated. Standard regression coefficients were used to determine the relative contributions of each of the skills in explaining income generation capacity. The significance of each of the entrepreneurial skills in explaining income generation capacity in colleges of education varies, with a B value of 0.28 for financial literacy skills, followed by risk taking skill (B=0.27; P<0.05); then innovative and creative skill (B=0.25; P<0.05) and communication skill (B=0.16; P<0.05) as the least important skill in the explanation. This indicated that the above listed skills could significantly predict income generation capacity in Colleges of Education in this sample.

<table>
<thead>
<tr>
<th>Skills (Variable Constant)</th>
<th>B</th>
<th>SEB</th>
<th>Beta</th>
<th>T</th>
<th>Sig. T</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Communication Skill</td>
<td>1.300561</td>
<td>0.056721</td>
<td>0.16</td>
<td>10.251</td>
<td>0.000</td>
</tr>
<tr>
<td>2 Financial Literacy Skill</td>
<td>0.621411</td>
<td>0.034132</td>
<td>0.28</td>
<td>28.562</td>
<td>0.000</td>
</tr>
<tr>
<td>3 Innovative and Creative Skill</td>
<td>1.010220</td>
<td>0.021162</td>
<td>0.25</td>
<td>22.61</td>
<td>0.000</td>
</tr>
<tr>
<td>4 Risk-Taking Skill</td>
<td>1.142040</td>
<td>0.041211</td>
<td>0.27</td>
<td>34.468</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Table 4: Parameter Estimates of the Relative Contribution of Entrepreneurial Skills on Income Generation; source: Original Research

Ho₃: There is no significant relationship between management strategies and income generation capacity in Colleges of Education.
This hypothesis was tested by calculating Pearson product moment correlation coefficients. The results are presented in the table below, which shows that the r-calculated value of 0.63 is greater than the r-critical value at 0.14 given at 149 degrees of freedom and the 0.05 level of significance. Consequently, the null hypothesis is rejected, while the alternative hypothesis is accepted. This then suggests that the institutional managers’ human capital characteristics are significantly related to the income generation capacity in Colleges of Education.

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>df</th>
<th>r-cal</th>
<th>r-critical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Strategies</td>
<td>23.33</td>
<td>7.81</td>
<td></td>
<td></td>
<td>0.61</td>
<td>0.14</td>
</tr>
<tr>
<td>Income Generation Capacity</td>
<td>18.38</td>
<td>4.80</td>
<td></td>
<td>149</td>
<td>0.63</td>
<td></td>
</tr>
</tbody>
</table>

Table 5: Management Strategies and Income Generation Capacity; source: Original Research

**Ho4:** Institutional managers’ human capital characteristics are not significantly related to income generation capacity in College of Education.

This hypothesis was tested by calculating Pearson product moment correlation coefficients. The results are presented in the table below, which indicates that the r-calculated value of 0.63 is greater than the r-critical value at 0.14 given at 149 degrees of freedom and the 0.05 level of significance. Consequently, the null hypothesis is rejected, while the alternative hypothesis is accepted. This then suggests that the institutional managers’ human capital characteristics are significantly related to the income generation capacity in Colleges of Education.
### Variable

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>df</th>
<th>r-cal</th>
<th>r-critical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Managers’ Human Capital Characteristics</td>
<td>21.78</td>
<td>6.52</td>
<td>150</td>
<td>149</td>
<td>0.61</td>
<td>0.14</td>
</tr>
<tr>
<td>Income Generation Capacity</td>
<td>18.38</td>
<td>4.80</td>
<td>149</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 6: Institutional Managers’ Human Capital Characteristics and Income Generation Capacity; source: Original Research**

## 5. Discussion of Findings

The result of the analysis of hypothesis one is that it showed a significant relationship between institutional managers’ school-community relationship skills and income generation capacity in Colleges of Education. This means that the ways and manners in which those at the helms of the affairs of Colleges of Education are able to relate to members of the immediate and distant communities, in which the school is located in terms of their ability to encourage private initiatives into the school, will go a long way towards enhancing the capacity through which income is generated. This finding corroborates the earlier one by Shellard (2003) that the successful operation of an educational institution requires administrators who should be more involved in public relations and fund-raising in order to secure financial support for their schools from local businesspeople and the community generally.

In hypothesis two, the results indicated that the entrepreneurial skills of institutional managers significantly predicted the income generation capacity in Colleges of Education. However, further statistical examinations were conducted to determine the level of contributions of each of the identified entrepreneurial skills; this revealed that the financial literacy skill had the highest contribution. This is an
indication that the business acumen of those involved in the day-to-day administration of Colleges of Education in terms of effective business administration will go a long way towards enhancing the capacity to generate income. This finding is in line with Oghojafor (1997) that the managers of educational institutions need to possess entrepreneurial skills so as to be able to generate supplementary resources for the institution, as well as contributing to industrial competitiveness and economic development.

In hypothesis three, the results showed that the management strategies had significant relationships with the income generation capacity in Colleges of Education. This means that both the level of involvement and the calibre of people involved in the administration of an institution can also influence the capacity to generate income. This could also be true in the case of the types of staff assigned to manage offices, units and departments that have direct functions in terms of income generation. This finding confirms the work of Odemuyiwa and Kiadese (2006), who argued that educational institutions are bureaucratic organizations grappling with the demands imposed on them by changing technology, so that it is increasingly difficult for one person to understand the whole of the work or to acquire all the skills necessary for administration of schools. Consequently, it is increasingly important that the right people should be put in the right place.

The result of the analysis in the case of hypothesis four indicated that the human capital characteristics of institutional managers are significantly related to the income generation capacity in Colleges of Education. This suggests that the occupational background as well as experience in business management will to some extent influence the capacity to generate income in Colleges of Education. This finding is in line with that of Oghojafor (1997) that some public entrepreneurs are motivated by factors like challenging jobs, power and prestige, as well as the satisfaction of serving society and these, among others,
can, therefore, cause institutional managers to initiate and enhance business opportunities and ownership in their institutions.

6. Conclusion

This paper has examined the importance of the SBA skills of institutional managers in the enhancement of income generation capacity in Colleges of Education. There is no gainsaying the fact that educational institutions have now largely become business enterprises in this modern era. Therefore, those saddled with the responsibilities of day-to-day administration of these institutions are to be involved in the educational operations of the school as well as the business functions. Based on the findings of this study, therefore, it is reasonable to conclude that most managers of Colleges of Education do not adequately attract members of the public in the provision of funding support. Their entrepreneurial skills, most especially the financial literacy skill, most commonly predict income generation capacity, while management strategies adopted as well as the related human capital characteristics were also found to have direct relationships with the income generation capacity.

7. Recommendations

Based on the findings of the study, as well as the conclusions drawn, the following measures are suggested in order to increase revenue generation capacity in educational institutions.

First, institutional managers should attract well-meaning members of the community to provide financial and infrastructural support for the institutions. This could be in terms of organizing fund-raising.

Second, the entrepreneurial skills of institutional managers should be strengthened. Consequently, government should ensure that managers of educational institutions attend on a mandatory basis the National Institute for Educational Planning and Administration before
assuming office, where they would be exposed to the rudiments of institutional management, including SBA.

Third, management strategies to be adopted by institutional managers should be those that will promote bureaucratic principles, where those to be appointed to manage the institutions’ income generation ventures and units are those with adequate background knowledge experience in business management or, else, those found to be sufficiently enterprising in nature.

Finally, institutional managers should ensure that when mounting programmes that will boost the internally generated revenue for the institution, academic standards must be ensured in every aspect and with all the ramifications that entails.

8. References


FDI versus Kirana Stores: A Political Stunt or a Battle for Survival

Ritika Gauba and Ravi Dhingra

Abstract

The US$500 billion dollar Indian retail industry, which accounts for nearly twenty percent of the country’s GDP, is witnessing a new paradigm of progress and expansion. The growth potential of the industry has caused the government to open doors to foreign investors by allowing foreign direct investment (FDI) in single and multi-brand outlets. However, the action which the government had thought would act as a catalyst to the development and bring it much needed goodwill has become a foremost cause of vigorous debate. On one side of the debate are some of the major opposition political parties, who argue that the multinationals will deprive the small kirana stores of their livelihood. Debating against them are the multinational industry proponents, who reason that the domestic sector is quite versatile and effectual and can represent tough competition to the incoming retailers. In light of the above arguments, the purpose of this paper is to review the current extent of FDI in India’s Multi-Brand Retail Policy and its frame work, so as to develop insights as to its impact on the unorganized retail sector, with special reference to kirana stores. The research reveals that the fear of the opposition is implausible, as the benefits provided by the kirana stores to the consumers are far too many to be outweighed even by the international retail chains. However, as a mark of caution nevertheless, the Government can introduce more checks and balances so as to ensure that the FDI policy (which already has a number of provisions to safeguard local interests) are followed in the correct spirit and the real essence is not lost due to the Indian custom of inept execution.
Keywords: FDI, India, kirana stores, multi-brand, retail

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1. Introduction

The retail market in India is essentially dichotomous with two absolutely diverse and, yet, indispensable fragments of the Indian economy. The older and larger of the two fragments is the unorganized retail sector. It is often referred to as a traditional low cost retail sector consisting of local kirana stores, paan and beedi shops, street vendors and hand carts. This fragment currently forms approximately 95% of the retail market in India. The new-fangled and yet more rapidly growing of the two fragments is the organized retail sector, which refers to trading activities undertaken by licensed retailers those who have registered for income tax, sales tax and other official requirements. These include corporate backed hypermarkets and supermarkets, retail chains and privately-owned large retail brands and outlets. This modern retail sector has current penetration of only approximately 5% but is expected to grow about six times from the current US$27 billion to US$220 billion, across all categories and segments, in the next few years. This potential for growth has made the Indian retail sector one of the most attractive for inward investment by the big players in the industry.

The mounting importance and potential of the Indian retail industry in the international market has compelled the Indian government to pay more attention to it. Consequently, in November 2011, to boost international investment, the Congress-led United Progressive Alliance (UPA-II) parliamentary coalition government of India
announced massive retail reform policies. One of the most important of these policies (which was finally approved in 2012) was to allow 51% of foreign direct investment (FDI) in multi-brand retail outlets under certain preconditions. However, this announcement sparked intense activism both for and against the reform.

The major opposition came from political parties like the Left, Trinamool Congress and BJP, who opposed FDI in the multi-brand retail sector, stating that it will have a negative impact on employment, growth and the survival of single unit outlets or the kirana stores. The opposition of the BJP party is a sort of paradox because it was the BJP-led National Democratic Alliance (NDA) which had previously first proposed the full opening up of the retail trade sector more than a decade ago, in May 2002. Both Mamata Banerjee's Trinamool Congress and M Karunanidhi's Dravida Munnetra Kazhagam (DMK), which are now the strongest opponents of the move within the UPA, were part of the NDA then (Iyer & Thapa, 2014). In fact, chaired by Yashwant Sinha, the then Finance Minister and backed by the Ministry of Commerce and Industry under DMK's Murasoli Maran, it had recommended permitting 100% of FDI in the retail trade, subject to a minimum capitalisation of US$10 million (Siddhartha, 2011).

So the question that arises concerns whether the strong opposition to multi-brand retail FDI is actually for the protection and survival of the kirana stores or just a political stunt.

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2 India has numerous national and state-level political parties. Among them, the Left and Trinamool Conference are based in Bengal, while the Bharatiya Janata Party (BJP) is a nationalist, rightist party that has successfully formed a government in place of the usually all-conquering Congress party (ed.).
2. Literature Review

The monsoon in India may occasionally be deficient but it is raining offers and discounts on Indian consumers. To entice customers, retailers are sending out in great profusion personalised messages and services. The Indian retail landscape is evolving from the bricks-and-mortar model to adopt virtual and other technologies so as to connect more effectively with consumers.

The industry is not only changing in time, it is also growing in leaps and bounds as Murari (2012) predicts. The US$500 billion Indian retail sector, which is growing at a compound annual growth rate (CAGR) of 15-20%, is projected to reach US$1.3 trillion by 2020. The Indian retail sector accounts for over 20% of the country’s gross domestic product (GDP) and is the second largest employer after agriculture. As per the census of the National Survey Sample Organization (NSSO) 64th Round, in the year 2007-08, the retail sector employed 7.2% of the total workforce and provided job to 33.1 million people (Sandesh, 2012).

Similar to just about all the retail markets of the world, the Indian retail is divided into organized and unorganized sectors; however, unlike the developed markets, the Indian retail market is dominated by the unorganized sector which has an estimated share of 95%. In a report by Kearney (2006) on growth in the retail sector in the BRIC (Brazil, Russia, India and China) economies, on the need for the organized sector to achieve sustained growth in India, this showed the huge possibility for growth in the retail sector, even though much of the potential was shown to reside in the organized retailing which is expected to increase six-fold from the current US$27 billion to US$220 billion in 2020.

There are various factors which are contributing to the growth of the retail sector in India, particularly the organized sector. Venkatesh (2013) points out that the organized retail sector is set to register
tremendous growth which will be fuelled by the unleashed spending power of a new generation of customers who have considerable levels of disposable income and are willing to embrace new shopping experiences. The paper further mentions that an increase in the number of nuclear families, working women, greater work pressure and longer commuting times, means that good retail experiences and convenience are becoming a priority for Indian consumers. All these aspects offer an excellent business opportunity for organized retailers in the country.

Realising the potential and in order to bolster the organized retail sector’s capabilities by attracting foreign investments, the UPA-II government passed the policy of 51% FDI in multi-brand retail. Assuming it takes place, the government’s appropriate implementation of the policy is anticipated to address a number of supply chain constraints afflicting the Indian agricultural sector and help reduce inflationary pressures in the country (Deshpande, 2013).

However, this policy was harshly criticized and rejected by the opposition political parties, who stated that allowing FDI to take place in multi-brand retail outlets will have an adverse impact on the retail trade overall and create large scale unemployment. Jaitley (2012), in a BJP booklet, points out that, in India, retail trade is the third largest employer and more than 10 million establishments give direct and indirect employment to over 40 million people. This employment is under threat in the context of the global experience of multi-brand retail outlets. It is reported that, for every ten lakh\(^3\) jobs created by multi brand retail chains, five lakh jobs are lost. Similarly Sushma (2012) is of the opinion that allowing deep-pocketed foreign players to participate will lead to job losses as a result of eliminating intermediaries. The number of retail establishments will be substantially reduced as larger ones open. This experience has been felt in most countries which have allowed FDI in retail. International

\(^3\) 1 lakh = 100,000.
retail players may adopt a strategy of predatory pricing. They first lower the prices to eliminate competition with a view to creating monopoly conditions. Unlike the opposition leaders, industry experts and many kirana store owners are positive about prospects. In fact, Nagesh (2012) feels that, with the entry of FDI, kirana stores will do even better because of two things: firstly, many brands and products will be launched in the country; secondly, the next generation of kirana operators currently entering the business are more educated and have greater business knowhow. Amit Kakkar (2014), owner of a kirana store in Noida states that the entry of foreign players would certainly increase competition but they cannot provide the same convenience to customers that traditional stores can. Similarly, Ravi Agarwal (2014), a store owner in Kolkata, does not perceive international outlets as threats to their business since the strong points of kirana stores are their proximity to the consumer and fast delivery. Not only this, many of the kirana stores are also trying to keep pace with the times and are upgrading their infrastructure, such as centralized air-conditioning, computerisation, electronic payment facility, making the shelf displays more attractive and organized so as to enable self-service, taking orders online and by phone and offering loyalty programmes.

This brief review of relevant literature establishes the role of retail in the development of the Indian economy. However, the role of foreign direct investment in this development is a debatable one. With significant opposition coming from political parties, who themselves had once propagated this change, makes one suspect whether the strong opposition to multi-brand retail FDI is actually for the protection and survival of the kirana stores or just a politicised issue. This review, therefore, paves the way for this study, which is aimed at exploring the potential threats or advantages to the kirana stores and whether any reforms are necessary to protect the interests of the domestic retail sector.
2.1. Objective of the Study

This paper’s objectives are thus to review the current policy and framework for FDI in India’s Multi-Brand Retail sector so as to gain an insight into its impact on the unorganized retail sector with special reference to kirana stores.

2.2. Research Questions

Based on the above objective, the paper aims to answer the following research questions:

- what are the potential risks or opportunities to the kirana stores?
- what reforms, if any, are necessary to protect the domestic retail sector?

3. Research Methodology

The data was collected and analysed using the historical technique under document analysis. The basic purpose of using this method is to reconstruct the past, systematically and objectively, through the collection, evaluation and synthesizing of the recorded evidence (collected from secondary sources such as newspapers, magazines, research papers & articles, internet, broadcasted interviews and political booklets) in order to reach defensible conclusions as required in relation to the aforementioned objectives.

4. Findings

4.1. Overview of the Retail Sector in India

Indian retail today is at the cusp of a new dawn and a journey marked by milestones ranging from macro-policy updates (like the FDI and Goods and Services Tax, which is expected in 2015) to new-
generation developments (like new channels, e-business and mobility). With a strong focus on operational profitability and higher returns on investment, the industry has embarked upon a slow but steady path to growth.

According to a study published by Yes Bank and Assocham (The Hindu, 2014), the Indian retail market which stood at Rs. 23 lakh crore\(^4\) in 2011-12 is expected to reach Rs. 47 lakh crore by 2016-17, which means expanding at a CAGR of 15%. The sector contributes over 20% to the GDP of the country and accounts for nearly 8% of overall employment.

Currently, retail market structure in India is just the reverse of that in developed countries (see Table 1), with no single player controlling any segment of the market. This arrangement tends to benefit both consumers and suppliers. The organized sector currently occupies approximately 5% of the market share. Organized retail could be described as occurring when trading is taking place under a license or through people who are registered for sales tax or income tax (Kumar & Chatwal, 2012). By contrast, unorganized retail can be defined as a more traditional style mom and pop type of low-cost retailing and includes the local kirana shops, hand carts and pavement vendors. This division of the retail sector, which has a very substantial weighting towards the unorganized sector, is one of the issues contributing to the sensitive debate on FDI in India at the moment.

\(^4\) 1 crore = 10,000,000 and 1 lakh crore = 1,000,000,000,000 (1 trillion). 23 trillion rupees = US$365,000,000,000 (approximately).
Table 1: Share of Organized Retail to Total Retail in Selected Countries; Source: Murari, 2012:5-6.

4.2. Present Shape of FDI in Retail and Policy Implications

In November 2011, India’s central government announced retail reforms for both multi-brand stores and single-brand stores. These reforms have paved the way for a retail revolution and enabled competition with international retailers such as Tesco, Carrefour, Walmart, IKEA and others.

In January 2012, India approved reforms for single-brand stores welcoming anyone in the world to enter the Indian retail market with 100% ownership, while imposing the condition that the single brand retailer source 30% of its goods from small and medium-sized enterprises (SMEs) in India. However, after strong opposition from the international retail outlets, the government later announced a waiver of the mandatory 30% local sourcing while suggesting that firms instead establish local manufacturing facilities in the country.

Once again, in September 2012, India’s Central Government announced a policy that allowed 51% FDI in multi-brand retail, with certain pre-conditions. The policy involves a two-step approval process, involving both the Central Government and another from the
local State Government. Some of the highlights of the policy are described below.

_The minimum FDI limit is set to US$100 million with a constraint of a maximum 51 per cent stake for the foreign entity._ This implies that the minimum investment required by both the Indian partner and foreign partner together is more than Rs. 1000 crore. _The policy further makes it mandatory to set up retail outlets only in cities with a population of more than one million and it is compulsory for one outlet to cover an area of no less than 10 kilometres._ As per the 2011 census, there are only 53 cities in India that qualify under this policy condition. Consequently, this policy constraint restricts the access to the retail markets of all the sub-one million populated cities and towns. In addition, there are only 18 cities in India with populations of more than one million that have a corresponding State Government supporting FDI in multi-brand retail (see Table 2).

<table>
<thead>
<tr>
<th>In favour of FDI</th>
<th>Against FDI</th>
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_Table 2: FDI in Retail: Where States Stand; source: Times of India (2012.)_

_The policy also makes it obligatory to invest a minimum of 50% of the total FDI amount (that is a minimum investment of Rs. 250-220 crore) towards the development of backend infrastructure (which includes storage, warehousing, packaging, distribution and logistics) within three years of the introduction of the FDI project._ Further, as per the policy, land cost and rentals that might be incurred for warehousing are not included in the definition of backend infrastructure.
The policy also prohibits the use of e-commerce as an additional channel for sales by the multi-brand retailers with FDI, although, there is no such restriction on Indian retailers.

One of the most significant conditions concerning multi-brand retail FDI is that of the 30% local sourcing. The existing mass grocery retailers in India source many products directly from producers and small food processing units. However, producers of electronics and goods for other specialty stores generally prefer their own centralized manufacturing facilities.

The new multi-brand retail FDI policy seems to be quite strategically designed. While on one hand it exposes the unorganized Indian retail to competition from international giants, on the other hand it protects the domestic sector through a slew of protective measures.

4.3. Implications of the FDI Policy on Traditional Retail Outlets: The Political Verdict

Mr. Arun Jaitley, a senior leader of the BJP, said in one of his articles that “It is good to be a reformist. Traditionally, a lot of us find ourselves on the side of reforms but every change is not a reform. Changes which may end up hurting domestic interests are really counter-reforms (2012).” The advent of the FDI policy of September, 2012 was opposed tooth and nail by almost all the major opposition parties of India including the Left, Trinamool Congress and the BJP as they felt that the time for permitting FDI in the retail sector in India had yet to arrive and FDI in multi-brand retail outlets will have a negative impact on employment, growth and the survival of single unit stores and kirana stores.

The opposition parties argued that, due to strong financial muscle and global sourcing, the multinational players will superimpose their retail model on the Indian markets. In the process, millions of jobs will be displaced not merely in the self-organized sector but also in the
corporate retail sector as stores would find it difficult to survive the onslaught of big retailers such as Wal-Mart. The opposition, apparently anxious about the impending future of kirana stores, further argues that unlike the developed countries, India has a vast number of poor and unskilled people whose only source of income is self-employment. Owing to very low entry barriers, retailing forms the biggest avenue of self-employment in the country and thus serves as an excellent safety valve for many. Given the lack of alternative employment opportunities, it is highly unlikely that the displaced unemployed (post-FDI) will be absorbed in any other sector.

An increase in unemployment following the entry of the retail giants has been as defined by Charles Fishman as the “Wal-Mart Effect (2011).” The author states that when Wal-Mart or any other powerful big-box retailer comes into town, it redesigns the residents’ shopping behaviours and drains the feasibility of traditional retail outlets (ibid.). Supporting the concept of Wal-Mart Effect, a Census Study by the Bureau of United states of the US retail industry between 1976-2005 found a negative correlation between the entry and growth of big-box stores and the employment, growth and survival of single unit and smaller chain stores operating in the same sector. The impact was found to be profounder on single unit or smaller chain stores within five miles of the big-box store. This effect has been experienced in both developed and developing countries. In Chile, when FDI in retail was introduced in the early 1990s, many small shops went out of business in the span of just a few years. It is reported that, between, 1991 and 1995, “15,777 small shops went out of business, mainly in Santiago, a city of 4 million, representing 21-22% of small mom & pop shops (Joseph et al., 2008).”

Another argument against FDI is that it will also have an adverse impact on domestic manufacturing as, although domestic retailers source domestically, international retailers operate on the principle of buying at the cheapest cost irrespective of the location of the source. The majority of items to be sold by international retailers are likely to
be sourced from cheaper manufacturing economies such as China, thereby leading to a fall in manufacturing sector jobs as well.

The large international retailers are infamous for reducing competition by buying out the smaller domestic retail chains. This tendency brings the danger of consolidation of retail trade so that it is in the hands of a few powerful retailers. While a fragmented market is generally in the best interests of the consumer, a consolidated market tends to restrict consumer choices. Consequently, if the number of retail outlets and consumer alternatives are reduced, the organized retail sector may not in fact serve consumer interests. Instead, so it has been argued, international players with deep pockets are often said to engage in predatory pricing where they first sell at low prices, eliminate competition and then exploit the consumers.

4.4. FDI in Retail a Misplaced Fear

The political mayhem over fears of the extinction of the kirana shops seems misplaced. Various researchers and experts have found that FDI in multi-brand retail is not as monstrous as it has been projected by opposition parties. It has been found that the kiranawalas (shop operators) have flourished much more if they are faced with competition. It has been shown that the traditional kirana stores and outlets in India can be ultra-efficient and have been able to compete very successfully with modern retail outlets over an extended period of time (Nagesh, 2012). Modern trade has expanded intensively but the conventional, kirana outlets have also grown, modernised and become self-service outlets capable of performing remarkably well. They know the business and have connections with their customers. They learn very quickly and understand how the whole ecosystem of the social infrastructure is set up in terms of housing, colonies and roads and are aware of the preferences and needs of quite large numbers of customers.
The reach and the power of these *kirana* stores can be assessed by the fact that they have been approached by LIC, the biggest insurance company in India, to include them as their agents for selling its micro insurance plans (Murari, 2012). Similarly, prominent entrepreneurs such as Kishore Biyani led Future Group plans to expand their corner store format, ‘KBs Fair Price,’ through existing *kirana* shops and to help to revamp, refurnish and rebrand the outlets while providing back-end support to promote inclusive retail growth (Way2Franchise, 2013).

The opposition argued that in the USA many mom and pop stores had to close down with the advent of the organized retailers. However, it is worth noting that, unlike in the USA, most Indian customers cannot travel twenty minutes to buy groceries at a store located at the outskirts of a city (which is one of the conditions of the multi-brand FDI policy) because of the poor road and traffic conditions in the country. The lack of storage space in houses in most big Indian cities, coupled with refrigeration problems due to the small size of refrigerators and frequent power cuts, constrains bulk purchases. Additionally, extreme traffic congestion along with the miserable state of public transport prevents most people from travelling even short distances for their groceries (Kohli & Bhagwati, 2011).

The operating costs of the *kirana* stores are much less when compared to that of any organized retail outlet because of two main reasons. Firstly, the *kirana* stores are usually houses partly converted into a shop and they store their stock in other parts of the house. Secondly, these stores are managed by family members only and so there is little loss due to stealing or pilferage. In contrast, the international retail outlets have to rent large building to set up their storehouses which incurs substantial fixed costs and they also have to hire skilled workers and pay them appropriately (Singh, 2010). Nevertheless, to stay relevant to their customers, many *kirana* stores have reinvented themselves, as previously described (Seth, Garg & Vinit, 2011).
In addition to this, their presence in the midst of a residential area is a big advantage as proximity to the consumer enables fast delivery. In Mumbai, for instance, the smallest retail players have started delivering even a single aspirin if one is ordered by telephone. In addition to home delivery, most of the neighbourhood stores also exchange and return products very easily. They may also give credit to their longstanding customers. The kirana stores often develop a personalised relation with their customers, which enables them to understand the likes and dislikes of individual customers. Based on the tastes and preferences of their customers, these stores are often seen recommending new products to their consumers. Organized retailers typically cannot provide such services outside of speciality shops (Vishwanathan, Jose & Roth, 2010).

It is argued that the international retailers will source products at cheaper rates from countries like China, However in order to outdo the modern trade players, kirana shopkeepers can conduct bulk purchases from organized wholesalers and so take advantage of volume discounts. This has helped them to stay competitive and improve profit margins. Many bodies, like the Bhartiya Udyog Vyapar Mandal, which is the largest national-level association of kirana stores, is working towards making the kirana stores more competitive by negotiating better prices from manufacturers so as to bypass intermediaries and obtain financing at terms that would otherwise only be available to large organizations (Dave, 2008).

The inventory that the neighbourhood shops stock range from small cottage industries such as those offering ayurvedic and healthcare products, taste-driven products such as local biscuits and savouries and branded fast moving consumer goods (FMCG) products such as soaps and shampoos, which are all in daily demand in local households. Also, in the hinterlands of urban and peri-urban landscapes, it is very often the kirana stores who take care of the daily household needs. In fact, these neighbourhood mom-and-pop stores
continue to be the only point of sale for most FMCG players in rural areas of the country.

There are still millions of people in India who are living at the bottom of the pyramid. These people prefer to buy in very small quantities, even for their daily use products. That is why sachets of soaps, shampoos, powder cream and so forth are so widely sold in kirana stores. However, selling goods in very small quantities is generally beyond the capacity of the organized retail sector.

Some credit and trust should also be given to the Indian consumers, who can be very discerning and can substitute acceptable local products like Ghadi washing soap for multinational products like Tide. They can sustain a local dhabha (small local restaurant) instead of KFC and McDonald’s and the market can accommodate both a Maruti 800 and a Mercedes. To believe that judicious consumers can be hoodwinked by the lure of big brand names and corporations is a great injustice to the wisdom of Indian masses (Gupta, 2014).

There are many international markets where an unorganized retail sector has co-existed successfully with an organized one. For example, in Indonesia, even after the emergence of supermarkets, 90 percent of the fresh food market and 70 percent of the entire food market was controlled by traditional shops only (Aggarwal, 2014). In Japan, meanwhile, the two sides of the industry actually work together with the organized retailers co-opting many unorganized stores and upgrading them through training and the infusion of capital so as collectively to meet the demands of customers. In India, too, the modern retail sector has been in existence for some time now and there have not been many cases where kirana shops had to shut down due to an organized player opening in the same neighbourhood. In fact, there have been instances where large retailers had to reinvent and evolve their business models to arrive at a format that could compete with a local mom-and-pop-shop.
5. Conclusion

FDI in retail is a very delicate, emotive and a debatable issue, which needs to be resolved by taking into consideration the views of all the concerned parties. Opening the market to foreign players could certainly be a game changer for the Indian retail sector but it is not as cut and dried a decision as is being projected by some of the involved parties.

FDI in the multi-brand retail sector would in part integrate the home grown modern Indian retail market with that of the global retail market. The entry of the multinationals in the organized retail sector would improve the quality standards and enhance the cost-competitiveness of Indian producers and marketers in all the segments involved. SMEs would benefit from the fact that their brands would become part of the modern retail system and this could help them take their products to a national platform.

One of the major fears of allowing FDI in multi-brand retail is that the international giants would destroy the livelihood of the kirana stores as they have done in some of the western countries. However, it is to be noted that there is a huge difference in the traditional kirana stores of India and their equivalents elsewhere. The western stores were historically quite inefficient when compared to the modern retail sector, whereas, it is argued, the kirana stores in India have time and again proved their efficiency and so they have been able to compete very successfully with the modern trade sector for a very long period of time. The modern trade sector has expanded in leaps and bounds but the classical, traditional kirana stores have in some cases developed and reorganized themselves and become self-service outlets to do remarkably well.

Nevertheless, FDI in multi-brand retailing must be dealt with cautiously as it can still have an impact on a large chunk of the self-employed population. Foreign capital, if unchecked, may widen the
breach between the affluent and the underprivileged. Thus, the entry of foreign capital into multi-brand retailing needs to be anchored in such a way that it results in a win-win situation both for Indian as well as global players. Although the current policy has enough provisions to safeguard the interests of the local population, still the Government can introduce more checks and balances to ensure that these rules are followed in the correct spirit and the real essence is not lost due to our history of inept execution. India may consider writing laws and ensuring, through proper policing, that foreign retailers may not end up forming cartels.

Given the global experience, it is important to keep the foreign retail expansion moving slowly by using mechanisms such as trading restrictions, business licensing and zoning. Governments should ensure that it can eliminate bottlenecks in implementing backend infrastructure in such a large and heterogeneous country in terms of demand and consumption patterns so that it may not deter foreign retailers in undertaking healthy and mutually beneficial business operations in India.

6. References


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Are Accelerators an Option? Impact of Accelerators on the Indian Start-up Ecosystem

Apoorv Ranjan Sharma, Manoj Joshi and Balvinder Shukla

Abstract

The purpose of this paper is to study the impact of accelerators on the Indian business start-up ecosystem. Can it reduce start-up mortality? Are accelerators instrumental in providing effective platforms for accelerating the growth of start-ups? Do they meet the expectations of the start-ups? Can accelerated start-ups attract venture capitalist funding? The authors propose that “accelerators have a positive impact on the Indian start-up ecosystem.” This paper attempts to establish the framework of analysis of the impact of accelerators on start-ups. For the purpose of this study, primary and secondary research data were used. Existing literature in the form of secondary data is available only to a limited extent because the concept of accelerators and their role in the survival and growth of start-ups is in the nascent stage in India. Hence, for the purpose of designing the research framework, primary data was obtained through structured interviews. These were conducted with the founders of start-ups and accelerators. Out of the already existing forty accelerators in India that were approached, ten responded to a request for a structured interview. It was found that start-ups find accelerators to be an ideal platform for strategic guidance, while accelerating their growth and generally assisting in the fund raising processes. The private equity (PE) investors and venture capitalists (VC) are able to draw higher quality start-ups from the accelerators. Overall the mortality of the start-ups is reduced. Accelerators can have a definite impact on fund-raising, value proposition and revenue growth. This research study is the first of its kind written from an Indian perspective using active primary participants.
Keywords: accelerators, capital, entrepreneurship, start-ups, venture capitalists

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1. Introduction to Entrepreneurship and Start-ups in India

The term ‘entrepreneurship’ is derived from the French word ‘entreprendre,’ which literally means ‘to undertake.’ Entrepreneurship involves risk taking and being innovative as well as using knowledge and skills to set up new ventures or diversify from existing ones. It adds significant value to the economy by promoting innovation, wealth and employment generation. Research suggests that there is no country in the world that has high levels of entrepreneurship and low levels of economic growth (Reynolds et al., 2002). According to a recent survey conducted by the Deloitte group, India ranks 2nd globally as home to the fastest growing technology firms (Santhiyavalli & Usharani, 2012). Goldman Sachs and Price Waterhouse Coopers have estimated that India has the potential to be among the world’s leading economies by 2050 (Andra, 2014). The National Knowledge Commission (NKC) recommends that synergies between education (skill development), innovation (converting ideas into wealth and employment) and entrepreneurship should be encouraged (National Knowledge Commission, 2014). In order to
leverage advantages from this requires an effective start-up ecosystem.

A start-up ecosystem is a cycle of hand-holding extended to business proposition with the intention of developing it into a profit-generating organization. The key components of this ecosystem are:

- Entrepreneurs – envisage the idea;
- Start-up team members – support the entrepreneurs to build and grow the idea;
- Start-up mentors – invest time and expertise in the company;
- Start-up advisors – provide timely assistance;
- Angel investors – provide funding at the inception stage;
- PE investors – further funding for growth;
- VC funds – come in typically when the company has stable cash flow and
- IPOs – provide an exit for VC funders.

A start-up is considered to be the early stage in the life cycle of an enterprise during which the entrepreneur moves from the idea stage to securing financing, laying down the basis structure of the business and initiating operations or trading. The role of start-ups in promoting entrepreneurship and, particularly, innovation is vital in high technology business sectors (Almeida & Kogut, 1997).

A VC is an investor who either provides capital to start-up ventures or supports small companies that wish to expand but do not have access to public funding. VCs are willing to invest in such companies because they can earn a massive return on their investments if those companies are successful. VCs can experience significant losses when their selections fail but these investors are typically wealthy enough that they can afford to take the risks associated with funding young, unproven companies that appear to have a great idea and a great management team. Fundamentally, it is the quality of the entrepreneur
as an individual that drives the investment decisions for VCs (Macmillan, Siegel & Subba Narasimha, 1985).

The above factors are all very diverse and represent niche segments that do not have an organized platform on which they can interact with each other. This makes the sector inefficient as a whole. There is, as a result, a loss of valuable time and energy spent on trying to get the best fit. Consequently, there is a need for accelerators to smoothen out the misfitting ends.

In the Indian context, the ecosystem is growing although the rate of increase remains slow. In the past couple of years, there has been a healthy rise in the number of both angel and early stage investments. However, the number of initial public offerings (IPOs) has decreased drastically. Hence, the cycle has become incomplete and this has created an imbalance which is likely to be carried forward to the future. Consequently, in order to have a flourishing start-up ecosystem in India, there is a need for a balanced marketplace. Entities like accelerators are crucial because they avoid can reduce the level of inefficiency overall and help create trust between entrepreneurs and angels while providing active mentorship on various aspects of business.

According to the National Business Incubation Association (NBIA), around 5,000 incubators were operating worldwide in 2006; including 70 in India (Inc.42 Magazine, 2014). The Government of India (GOI) is looking to increase the number of incubators by establishing 1,000 new ones by 2020 (DST, GOI, 2014). Over 40 accelerators have arisen since 2012 (Baruah, 2013). There are now about 500 angel networks across the globe, including 20 angel networks in India. The biggest angel networks have nearly 200 members each and have invested in over 100 start-ups since 2006.
2. Literature Review

2.1. Concept of Start-up Funding

Start-up funding involves providing capital for nine to twelve months for innovative enterprises which can be offset against equity. This helps them develop new technology and establish their business models. This is also known as risk capital financing.

2.2. Concept of Mortality

More than 4,000 new start-ups emerge every year but 80% of them fail due to a lack of financing or of strategic guidance (Andra, 2014). One of the key reasons is the lack of start-up enablers, coaches and accelerators. The mortality rate can be reduced by proper mentoring of the start-ups and improving the availability of finance in India.

2.3. Concept of Business Incubators

Birch (1979) states that new firms are both vital and fragile, which results in initiatives to foster and protect those small firms during their initial years. This has in turn triggered the exponential growth of business incubation as a mechanism to nurture new firms successfully. McKee (1992) observed that, in the early years, since one of the tenants of the first incubator was a poultry producer involved in incubating real chickens, it is believed that this is how the name ‘incubator’ was conceived. Brown, Harrell and Regner (2000) reported that the first business incubator was started in Batavia, New York in 1959 by Charles Mancuso and his family, who purchased the Batavia Industrial Center.

Lalkaka (2001) wrote that: “The traditional business incubator is a microenvironment with a small management team that provides physical work-space, 28 shared office facilities, counselling, information, training and access to finance and professional services
in one affordable package.” Gissy (1984), meanwhile, noted that: “A new method for developing new businesses is the industrial incubator.” Allen and McCluskey (1990) considered that: “An incubator is a facility that provides affordable space, shared office services and business development assistance in an environment conducive to new venture creation survival and early stage growth.” This could be: “… a small business incubator as a facility that aids the early-stage growth of companies by providing rental space, shared office services, and business consulting assistance.” Consequently, it is asserted that a business incubator is a shared office-space facility that seeks to provide its incubatees (i.e. “portfolio-” or “client-” or “tenant-companies”) with a strategic, value-adding intervention process of business incubation (Hackett & Dilts, 2004). According to Hackett & Dilts (2004), an incubatee is an emerging, new or young firm whose management applies for admission to a business incubator in order to:

a) gain assistance in overcoming resource gaps which cannot be overcome on its own and

b) benefit from the process of business incubation.

The process of Business Incubation for Entrepreneurship (BIE) is a critical organizational support mechanism for inexperienced entrepreneurs at the initial stage. A typical high quality business incubator provides the following services to a budding entrepreneur: physical infrastructure; administrative support; management guidance/mentoring; help in formulation of a business plan; technical support; Intellectual Property (IP) advice where applicable; facilitating access to finance and encouraging networking with the greater and relevant business community. However, over a period of time, it has been observed that there was a large gap in expectations from these incubators compared to their actual outputs. The gap was notable in terms of mentoring, which implied more than the services that a BIE offered and it was a form of handholding from conception to delivery.
In 2005, a small number of angel investors at Silicon Valley launched a mentoring program to develop high quality start-ups, primarily through the students of high-quality institutes. Later, it became known by the name Y Combinator. This gave birth to the concept of the accelerator. Today, there are about 70 start-up accelerators in the USA and they have been part of the successfully funding of many start-up companies and the subsequent generation of huge wealth.

It is observed that start-ups coming out of these accelerators have lower chances of failure and superior chances of getting funded. Accelerators meet the core needs of active mentoring and seed funding, as well as providing customized guidance which start-ups require. Through active mentoring, promoters are educated about relevant business issues, fundamentals and are provided with direction. Many accelerators offer some amount of seed-funding to the participating start-ups.

2.4. Genesis of Accelerators and Current Status Worldwide

According to projections, at least 170 accelerators worldwide will have been established by the end of the year 2013. The first modern accelerator was Y Combinator, which is a self-described seed stage venture fund that announced its first batch of eight start-ups in 2005. TechStars, SeedCamp and Founder Institute followed shortly thereafter. Each year, the trend of increasing numbers has continued both domestically and internationally. They have helped to globalize the start-up programme outside of the initiating areas.

2.5. Need for Accelerators

Currently, the international venture funding ecosystem appears to be growing at a healthy rate. The volume of start-up applications is on the rise as well as tangible growth in sector diversity. However, most of these start-ups come with little to no mentoring. Those start-ups, which only have exposure to limited mentoring, receive passive
assistance. They lack the knowledge of appropriate business fundamentals and awareness of everyday business issues.

As a result of the lack of mentoring and financial support, start-ups today spend a great deal of time raising money when they could be otherwise involved in developing their businesses. This leads to enhanced levels of mortality and stagnation issues. In some cases, too much emphasis on fund-raising leads to other aspects of business development being neglected and this may in turn cause closure.

Accelerators meet the core needs of active mentoring and seed funding, as well as customized guidance which start-ups require today. Through active mentoring, entrepreneurs are helped to understand relevant fundamental business issues and receive direction. Many accelerators also offer some amount of seed-funding to participating start-ups.

2.6. Types of Accelerators

As of 2014, there were more than 40 start-up accelerators in India and they are distributed across a number of different cities. The various types involved include the following:

2.6.1. Angel-Backed Accelerators

Accelerators which are backed by either a small number of individual angel investors or else a more formalized group of angels in a network, which place great emphasis on the mentoring of entrepreneurs, are called angel-backed accelerators; they include GSF Accelerator, 500 start-ups and Venture Nursery.

2.6.2. Corporate-Driven Accelerators

Accelerators which are backed by corporate bodies with an interest in promoting technologies and products in areas similar to their own line of business are called corporate-driven accelerators. They often aim to
acquire successful venture arising from the efforts of the accelerator. Apart from technical support, they might provide start-ups with seed funding and include Microsoft Accelerator, Citrix Accelerator, TATA Elxsi, Infosys and NOKIA.

2.6.3. VC-Backed Accelerators

Some VCs allocate part of their overall funding to seed funding and will co-create start-ups that rely on the capabilities of their partners, e.g. Angel Prime and Khosla Labs.

2.6.4. Institution-Driven Accelerators

Many accelerators are backed by institutions; for example, the Indian Institutes of Management and the Times of India have evolved the Y Combinator-based model, which provides seed funding. Other examples include iAccelerator and T LABS.

2.7. Expectations from Accelerators

There are close to 50 start-up accelerators in India and, interestingly, most of them offer a mix of services. Others focus on mentorship and some just on the issue of real estate. A few accelerators have begun focusing on preparing teams to interact with investors, while others provide a great deal of soft support (e.g. motivational and team-building) to the start-ups involved.

In the entire process, the actual customer, i.e. the entrepreneur, can become confused. The offerings provided by accelerators are not always clear and, hence, it was decided to try to understand customers’ expectations, i.e. the entrepreneurs’ perceptions and expectations from start-up accelerators and how much equity they would be willing to part with in order to receive these key services:

- mentorship;
• customer connections;
• investor connections and
• real estate and infrastructure.

More than 12,500 entrepreneurs took the survey and the report looks at expectations of entrepreneurs from different start-up hubs in the country (e.g., Bangalore, Chennai, Hyderabad, New Delhi (National Capital Region), Pune and Mumbai) (Nextbigwhat.com, 2013). The report was intended for start-up accelerators, angels and investors who need data on entrepreneurs’ expectations to serve the ecosystem better. The truth is that Indian start-ups are advancing beyond the capabilities of accelerators and investors. Also, they have numerous options to explore (including being incubated at Silicon Valley incubators and accelerators). However, while accelerators have often complained of Indian entrepreneurs’ indifference towards mentorship, the survey findings reveal the opposite, in that 31% of Indian entrepreneurs are ready to give 2-5% equity in return for appropriate mentorship, while 17% are ready to part with 5-10% and the remainder 0.1-2% (ibid.).

3. Research Framework

For the purpose of this study, primary and secondary research data have been used. However, there is currently very little existing literature on the accelerators since the survival and growth of start-ups is at a nascent stage in India. Consequently, primary data were obtained through structured interviews to take account of the limited number of accelerators available for study. Hence, structured interviews were conducted with founders of start-ups and accelerators. Of the existing forty accelerators in India that were approached, ten consented to complete structured interviews. The structured interviews of accelerator managers were conducted either in person or by telephone. Besides this, the authors reviewed a range of research publications on business incubation published during 1980-2014, sourced from EBSCO and other databases, as well as incubator
websites, which describe incubator configurations, incubator-incubation impacts and critical success factors for incubation, as well as incubator development and incubatee development.

Based on the review, the following propositions have been selected for examination:

P1: Mentoring programmes offered by accelerators positively assist in establishing start-ups.

P2: Mentoring programmes offered by accelerators reduce the mortality probabilities of start-ups.

P3: Accelerators increase the chances of seed funding for the start-ups.

P4: Accelerators assist in securing seed funding from accelerators and from outside investors.

P5: The chance of securing Series A funding is enhanced for accelerated start-ups.

P6: The chances of accelerated start-ups being subsequently acquired are enhanced.

3.1. Indian Accelerators

Table 1 (below) describes the operational details of Accelerators in India. It shows the number of start-ups getting accelerated by the individual accelerator and the impact of their mentoring on the participating start-ups concerned. Most of the accelerators are driven by a very experienced core team and offer strong mentoring programmes to the participating start-ups. It also describes how VCs and other corporations benefit from the accelerators. It is also observed that the accelerators who play the role of start-up builders have an impact on the start-ups in the ecosystem.
3.2. Outcome of the Study: Impact of the Accelerator

The finding of the research study is divided into four quantitative outcomes as given in Table 2.

<table>
<thead>
<tr>
<th>Name</th>
<th>Start-ups</th>
<th>Invested in</th>
<th>Exit</th>
<th>Shut downs</th>
<th>Series A</th>
</tr>
</thead>
<tbody>
<tr>
<td>GSF accelerator</td>
<td>24</td>
<td>24</td>
<td>2</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Morpheus</td>
<td>82</td>
<td>28</td>
<td>5</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>Angel Prime</td>
<td>3</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Indavest</td>
<td>12</td>
<td>12</td>
<td>0</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Microsoft Accelerator</td>
<td>36</td>
<td>30</td>
<td>2</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>CII</td>
<td>80</td>
<td>80</td>
<td>1</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>CITRIX</td>
<td>23</td>
<td>23</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Kyron</td>
<td>12</td>
<td>12</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>VentureNursery</td>
<td>12</td>
<td>8</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Hive Data</td>
<td>8</td>
<td>8</td>
<td>0</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>292</td>
<td>228</td>
<td>14</td>
<td>59</td>
<td></td>
</tr>
</tbody>
</table>

|                | 78%       | 5%          | 20%  | 10%        |

Table 2: The Accelerator Input and Output; source: Compiled by Authors from Various Sources
<table>
<thead>
<tr>
<th>Name</th>
<th>Year established</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANGEL PRIME</td>
<td>2012</td>
<td>Applicant Sourcing - Referral based. Investment: 0.5 Million USD spread over 18 months; First tranche is &lt;100 K USD. The other tranches are based on milestones. Program: 18 months’ focus on building team and technology. Batch Size - 2-3 start-ups per batch. Focus – Technology based start-ups. Core team - 3 partners with ops, tech and business development background. Matrix funded Incubator: Investment to be used to invest in seed capital and fund operation cost of angel prime. Customised mentoring. Website: <a href="http://angelprime.com/home/">http://angelprime.com/home/</a></td>
</tr>
<tr>
<td>KYRON</td>
<td>2013</td>
<td>Strong Leadership Development Program. Take 10% equity against mentoring. Each start up gets CXO team to help them drive their business to success. 3 layers of mentor- layer 1- service providers, Layer 2- general mentors (helping start-ups in basics), Layer 3- Star mentors. Invest up to $400k. First Batch started in March, 2013. Applicants sourcing: they have shortlisted 560 start-ups from 6 countries. Many angels from Bangalore are engaged with them. Engagement model was not clear. Website: <a href="http://www.kyron.me">http://www.kyron.me</a></td>
</tr>
<tr>
<td>MICROSOFT ACCELERATOR</td>
<td>2013</td>
<td>Program Duration - 4 months acceleration program with Multiple events i.e: Hackathone. 3 Partners + Core team of 3 based out of Bangalore. Mentor/Angels network - 100+ mentors/angels in India. Accelerator s in 4 countries with Pure Development focus. Both Microsoft/ Non MS tech start-ups can apply for the programme. Organised Demo Day for each batch of the start-ups. Partners/Microsoft employees allowed to invest only after Legal Committee clearance. Mentors /angels are allowed to invest. Casual Mentoring by network of mentors. Offers Microsoft software suite for free. No equity for mentoring. Co working space -20000 Sqft in Bangalore. Expenses all sponsored by Microsoft. Website: <a href="http://www.microsoft.com/en-in/accelerator/default.aspx">http://www.microsoft.com/en-in/accelerator/default.aspx</a></td>
</tr>
<tr>
<td>GSF ACCELERATOR</td>
<td>2013</td>
<td>Little Eye Labs, part of GSF’s first batch in Bangalore has been acquired by Facebook. 2 batches. 24 start-ups. 2 Exits. Out of the company’s two batches of 24 start-ups so far, nine have gone on to raise additional funding, and two of them</td>
</tr>
</tbody>
</table>
have been acquired. Each company will receive an initial funding of 20 K USD (approximately). Website: www.gsfindia.com/accelerator/

<table>
<thead>
<tr>
<th>No.</th>
<th>Accelerator, Location</th>
<th>Year</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>INDAVEST, BANGALORE</td>
<td>2011</td>
<td>4 Partners, One in US and 3 in Bangalore. Co-promoting start-ups. Invest up to $200k per start-ups in early stage; Take 20-30 % equity in each start-up. 12 investment so far; 6-7 of them are surviving; Acceleration Period – 6-9 months. Website: <a href="http://www.indavest.com">www.indavest.com</a></td>
</tr>
<tr>
<td>6</td>
<td>MORPHEUS</td>
<td>2008</td>
<td>Incubated 82 start-ups (10 batches). 5 exits. 26 shut down. 28 funded. Success stories - CommonFloor, IIMjobs, Practo.</td>
</tr>
<tr>
<td>7</td>
<td>CII</td>
<td>2008</td>
<td>Supported by DST and IIM Ahmadabad. Invest up to 20k USD against 3-12 % equity. Invested in 80 start-ups so far and 38 of them are surviving. Applicant Sourcing- Organise Very Large Event i.e. POWER OF IDEAS where 20k application come and 500 start-ups are selected for the next round. Invest in Product at beta stage. Promote Cross learning. Managed by Core team 6 professionals. Website: <a href="http://iaccelerator.org/">http://iaccelerator.org/</a></td>
</tr>
<tr>
<td>8</td>
<td>CITRIX ACCELERATOR</td>
<td>2013</td>
<td>4 month Acceleration Programme. Investment up to $250k. Aims to accelerate 3-4 start-ups from India and total 12 global start-ups in a year. Leverage their global network of affiliates and acquisition capability to promote start-ups. Applicants Sourcing – Only Referral based mostly by employees of Citrix.</td>
</tr>
<tr>
<td>9</td>
<td>VENTURENURSERY</td>
<td>2012</td>
<td>Aim to accelerate 3-4 start-ups every quarter. Accelerated 12 start-ups so far. 8 investments made in start-ups. Leverage their global network of investors and mentors to promote start-ups. 2 exits. Investment up to $100k. Applicant sourcing through website and referrals. Website: <a href="http://www.venturenursery.com">http://www.venturenursery.com</a></td>
</tr>
<tr>
<td>10</td>
<td>HIVE DATA</td>
<td>2013</td>
<td>Invests up to $2 million per company at the seed stage. Leverage their global network of affiliates to promote start-ups. Portfolio size – 8. Website: <a href="http://hivedata.com">http://hivedata.com</a></td>
</tr>
</tbody>
</table>

**Table 1: Description of Accelerators; source: Compiled by Authors from Various Sources**
Since accelerators can offer strong mentoring programmes, they can help start-ups to commit mistakes less commonly than comparable non-accelerated start-ups. Hence, the mortality probability of start-ups is highly reduced. It is observed through this research that the mortality of the start-ups attending the accelerator programme is reduced to 20% (Figure 3).

![Figure 3: Mortality of Start-ups Attending Accelerator Programmes; source: Original Research](image)

Hence:

*P1: Mentoring programmes offered by accelerators positively assist in establishing start-ups.*

*P2: Mentoring programmes offered by accelerators reduce the mortality probabilities of start-ups.*
Accelerators increase the chances of seed funding for the start-ups. Most of the participating start-up either secure seed funding from accelerators themselves or from external sources. The fund-raising chances of start-ups increase to 78% (see Figure 4).

Figure 4: Fund Raising Chances of Start-ups; source: Original Research

Hence:

P3: Accelerators increase the chances of seed funding for the start-ups.

P4: Accelerators assist in securing seed funding from accelerators and from outside investors.

It is observed that more than 10% of the accelerated start-ups secure series A funding. Recently Oravel.com secured series A from
Lightspeed Venture. Accelerated start-ups have higher chances of getting series A, which is the next round of funding.

**Figure 5:** Chances of Accelerated Start-ups Obtaining Series A Funding; **source:** Original Research

Hence:

**P5:** The chance of securing Series A funding is enhanced for accelerated start-ups.

It is observed that more than 5% of the start-ups are subsequently acquired by external investors. Recently, one of the GSF based start-ups, Little Eye Labs, was acquired by Facebook. The chances of accelerated start-up becoming acquired are quite high.
Figure 6: Chances of Accelerated Start-ups Being Acquired; source: Original Research

Hence:

P6: The chances of accelerated start-ups being subsequently acquired are enhanced.

Consequently, the study concludes that accelerators are having a positive impact on the Indian start-up ecosystem.

3.3. Framework of an Accelerator-VC-Start-up

It is suggested that a framework of accelerators in Figure 7 below accurately represents the situation as it currently exists. Accelerators rely a great deal on their mentoring methodology to develop high quality start-ups. Most accelerators have high quality mentors associated with the process of providing boot camp experiences. As a result, many start-ups emerging with the assistance of accelerators are very successful in raising capital or becoming acquired.
4. Discussions and Limitations

Accelerators are very useful platform for start-ups. They not only improve their mortality rate but also serve as a catalyst for start-up companies’ growth and fund-raising prospects. It is also observed that the accelerated start-ups are highly improved in terms of their value proposition, team building and revenue planning. The higher the degree of mentoring available, the more successful will start-ups involved be as a result. Mortality rates will be reduced substantially. Hence, compared to business incubators, accelerators as they appear in this study appear to be effective in creating successful start-up exits.
Accelerators in India are not a very widespread phenomenon. Despite persuasion, few of them wished to participate in this research study. A larger sample size representing a more diverse geographical spread of companies would most likely have improved the explanatory power of this study and this indicates that further research is certainly required. This study is also restricted to India. For future research, there is scope for conducting a comparative study on a variety of regional or Asian economies.

5. References

50 Amazing Startup Incubators and Accelerators in India (20140, Inc.42 Magazine (April 14\textsuperscript{th}), available at: http://inc42.com/resources/50-amazing-startup-incubators-and-accelerators-in-india/.


Does Unemployment Increase Suicide? A Cross-Sectional Analysis

Mohammad Shahab Uddin, M.M. Islam and Sayed Azfar Hussain

Abstract

Suicide is a major social problem. It is highly associated with the economic situation in any country. Unemployment is one of the major indicators of economic development and it also adversely affects suicidal behaviour in different ways. This paper attempts to close the gap between unemployment and suicide by estimating the role of unemployment on suicide rates. For this purpose, we have used cross sectional data from 44 States of the USA for the year 2010. Results suggest that unemployment has a negative impact on suicide rate, while other factors such as divorce rate, age and regional location in the USA have also affected suicide rates in this sample.

Keywords: economic development, suicide, suicidal behaviour, unemployment

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1. Introduction

Unemployment is an issue which is receiving more attention in this era of global financial crisis than ever before. One of the social problems that is most often associated with unemployment is suicide. "Economic problems can impact how people feel about themselves and their futures as well as their relationships with family and friends. Economic downturns can also disrupt entire communities," Feijun Luo (Centers for Disease Control and Prevention, Division of Violence Prevention); "We know suicide is not caused by any one factor -- it is often a combination of many that lead to suicide (CDC, 2010)."

As unemployment is an economic subject, institutions have conducted numerous research studies to investigate the link between economic performance in a specific period and its impact on suicide rates by studying different trends and paying attention to lagging effects. A study by the Centers for Disease Control and Prevention (CDC) finds that the suicide rate from 1928 to 2007 has risen and fallen in tandem with the business cycle. It spiked at the onset of the Great Depression, rising to its all-time high in 1933. It fell during the expansionary World War II period from 1939 to 1945. It rose during the oil crisis of the early 1970s and the double-dip recession of the early 1980s and fell to its lowest level ever during the booming 1990s. The correlation between unemployment and suicide has been observed since the 19th century. People looking for work are about twice as likely to end their lives as those who have jobs (Stuckler, Basu & Suhrcke, 2011).

The differing age and sex specific trends in suicide suggest that the societal processes underling them may be different in various socio-demographic groups. In 1997, suicide was the eighth leading cause of death in the United States (CDC, 2010). More people now die of suicide in the USA than in car accidents, according to another report (ibid.). The epidemiology of suicide is fairly well understood. In the National Institute of Mental health (NIMH) Epidemiologic Catchment Area Study, life time prevalence rates of self-reported attempted
suicide among adults 25 years or older were nearly 3 times greater in women than in men.

The principle aim of this article is to study the impact of unemployment on suicide rate in US. We have also involved several aspects of the problem that may contribute to suicide, particularly variations in suicides by age, chronic disease and marital dissolution to get more precise results regarding factors that have negative or positive effect on suicide rate in US. For this analysis, we will use a 5% level of significance in this paper and we anticipate that the unemployment rate should have a positive relationship or correlation with the suicide rate.

2. Significance of the Topic

“As soon as the terrors of life reach the point at which they outweigh the terrors of death, a man will put an end to his life (Schopenhauer, 2000).” Although sociologists have tested numerous theories about suicide, economists have not analyzed this phenomenon all that frequently. The social aspect to studying which factors lead to such an extreme step was first investigated by Durkheim. He recognized that societal changes, such as economic crises or periods of war, contribute to changing patterns of suicide (Durkheim, 1952). He viewed suicide rates as ‘social facts’ and argued that they may be influenced by, amongst other factors, the extent to which individuals are integrated within society. Sociological and epidemiological inquiry over the course of the last century has confirmed and refined Durkheim’s theories, identifying the importance of patterns of unemployment, divorce, alcohol misuse and religion in explaining national differences and trends in suicide (Gunnell et al., 2003).

According to frustration and aggression theory (Henry & Short, 1977), suicide results from an individual’s frustration in her attempts to achieve her social goals and the ensuing aggressive feelings, directed either internally (suicide) or externally (homicide). They also found
that economic improvement decreases frustration and, thus, aggression. Studies controlling for confounding social factors find an approximately twofold excess suicide risk among the unemployed (Lewis & Slogget, 1998). A Danish study using a case-control study method found that 16-78 year olds, from 1980-94, receiving unemployment benefit for less than 20% and 20% to 100% of the last year, respectively, had relative risks of suicide of 1.10 per 100,000 (0.79 to 1.53) and 1.89 (1.50 to 2.38) compared with working adults (Mortensen, Qin & Agerbo, 2000). In another research study, Gunnell et al. (2003) found that suicide rates doubled in males aged below 45 in England and Wales between 1950 and 1998. Another research study focusing on the USA indicates that eight states of the USA experienced a mean of 11 suicides and 119 attempted suicides per 100,000 residents each year (Spicer, 2000). Groups with high suicide rates included men, the elderly and Caucasian people; groups with high attempted suicide rates were men (ibid.). This appears to be one of the results of globalization and the spread of a more intensive form of capitalism.

3. Methodology: Empirical Model & Data

The model used in this paper is a re-structured form of the model used by Hamermesh and Soss (1974). Major modifications have been made to this model. In their paper, the authors developed the model so as to capture all aspects of unemployment by replacing it with per capita income in US states by age group. This was computed this using algebraic means.

Here, we employ a simple multivariate model given as:

\[
Y(Suicide) = \beta_0 + \beta_1 Unemp + \beta_2 Divorce + \beta_3 HSGrd + \beta_4 Resprd + \beta_5 Liverd + \beta_6 Young + \beta_7 Middle + \beta_8 Old + \beta_9 South + \beta_{10} West + \beta_{11} MidW + \beta_{12} South. Unemplyy
\]

........................................... (1)
In this, the suicide rate is the dependent variable. The independent variables are: unemployment rate; divorce rate; high school (HS) graduation rate; respiratory disease rate and liver disease rate. Age variables are divided into three categories, which are young, middle age and old age. The age variables are the ratio of the group population living in one state compared to the total population in that state. For this study, we have also used three dummy variables. The first is South, West and Midwest, which aims to capture the precise effects of the independent variables on suicide rates in regions across the USA. One interaction term is used between the regional dummy of the South and unemployment to capture the partial effect of the unemployment rate in the region south on the suicide rate. $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$ and $\beta_8$ is the elasticity of output with respect to unemployment, divorce, HS graduation, respiratory disease, liver disease, young, middle and old age.

For the purpose of this analysis, we have used cross sectional data from the USA for the year 2010. The data for all 50 US states were not available; consequently, we have used data from 44 states of the USA. The data for suicide rate, respiratory disease rate and liver disease rate have been obtained from the National Vital Statistical Report 2010, Centers of Disease Control and Prevention (CDC, 2010). Unemployment rate data is obtained from Bureau of Labor Statistics, Divorce rate data is obtained from Centers of Disease Control and Prevention, HS graduation rate data is obtained from Department of Education, US. The data for age variables for the year 2010 is obtained from 2012 Statistical Abstract (US Census Bureau, 2012). All data set statistics apart from the dummy variables are presented as percentages.

3.1. Violation of Assumptions

The data that we have used for this analysis is cross-sectional data. In cross-sectional data, there is a consistent danger of heteroskedasticity. We have attempted to use robust command in stata to control the
problem of heteroskedasticity. The analysis contains all the significant variables used in many research papers related to the topic such as unemployment, marital dissolution, chronic diseases and age. An important variable of per capita income by states is not used as it was highly correlated with unemployment and the literature also indicates that both unemployment and per capita income by state interpret the same dimension of a single point. It is possible that per capita income by state gives more conclusive results in terms of age and gender. No other assumptions have been violated in this analysis.

4. Results

Equation (1) constitutes the basis for our empirical analysis of the suicide rate and unemployment rate hypothesis for the USA in the year 2010. Table 1 presents the descriptive statistics for all the variables used in the regressions. The correlation matrix of the independent variables for the sample in year 2010 is reported in Table 2. It is clear that none of the independent variables are highly correlated so there is no problem of multicollinearity in the regressions. Multiple regression analysis is used for equation (1) to assess how important each determinant is to the suicide rate of the USA in 2010. Regressions are conducted using the dummy variables and an interaction term for the year (Table 3). In general, the regression estimates seem reasonable and credible and the explanatory power of the models in this sample is fairly good.

Table 3 includes estimations from which the suicide rate of the USA is regressed on its determinants after controlling for heteroskedasticity by using robust measures to capture the impact of the initial stock of independent variables on subsequent performance, especially the unemployment rate. The coefficient of unemployment is small but it is statistically significant at the 5% level. The sign pattern of unemployment is negative, which indicates that, if in 44 states across the US unemployment increases by 1%, then suicide rate in those states decreases by 0.46% approximately. This is an unexpected sign
that is supported by few empirical studies and is almost certainly the result of failing to take into account time lag effects. In the case of the USA, it is expected that the suicide rate should have a positive relationship with the unemployment rate. The coefficient of divorce rate is relevant and it is statistically significant at the 5% level (although, of course, lagging effect occur here too). This indicates that if the divorce rate increases by 1%, then suicide rate increase by 1.5% approximately. It shows an expected positive relation with suicide. The chronic disease variables of respiratory disease rate and liver disease rate are statistically insignificant. Similarly, HS graduation rate is also insignificant. The age variable representing middle age group (25 years to 64 years) and old age group (above 65) are insignificant, whereas the young age group (15 years to 24 years) is statistically significant at the 5% level. The coefficients indicate that if the presence of young people across the US increases by 1%, then the chances of them committing suicide increases by 1.5%. It shows an expected sign pattern as indicated by many sociological research papers and a few economics research papers.

The dummy variables of South and West are statistically significant at the 5% level. The result indicates that if the population in the South increases by 1%, then the chance of people committing suicide as compare to the East (the base variable) decreases by 0.08%, whereas if the population in the West increases by 1%, then the chance of them committing suicide as compared to the east increased by 0.04%. The coefficients of the dummy variables of both the South and the West are very small. Although they are statistically significant, we cannot say conclusively that they have practical significance. We expected the regional dummy of the South to have a positive relationship with the suicide rate and the regional dummy of the West to have a negative relationship but the result indicates totally opposite relationships between regional dummies and the suicide rate. The interaction term of unemployment and the regional dummy (South) is also statistically significant. It indicates that if unemployment in the region of south increases by 1%, then the chance of people
committing suicide increases by 0.42% (-0.46 + 0.88 = 0.42). The dummy of the region (Midwest) is statistically insignificant.

The overall significance of the model is high; it is statistically significant at the 1% (F-test) level. The adjusted R² of the regression is relatively high (0.8429). The fact is that more than half of the variation in the suicide rate accounted for by the regression indicates the comparatively highly significant influence of the independent variables, including unemployment.

5. Conclusion

The purpose of this work, predominantly, is to study empirically the question of how the unemployment rate affects the suicide rate across the USA. Using a straightforward and parsimonious specification, we assess the influence of unemployment, marital dissolution (divorce rate), education, chronic disease (respiratory disease rate and liver disease rate), age groups (young, middle and old) and regional dummies on the suicide rate in the USA. The most basic point we note is that unemployment negatively affects the suicide rate. However, divorce rate and young age group have significant positive effects on the suicide rate for the USA in the year 2010. This study can be further improved by replacing the unemployment rate with the variable of per capita income to capture all aspects of unemployment by age, gender and race in particular to be more conclusive.

6. References


Table 1: Descriptive Statistics; source: Original Research

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<thead>
<tr>
<th>Variable</th>
<th>Obs</th>
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<th>Std. Dev</th>
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<td>44</td>
<td>0.0289545</td>
<td>0.0437</td>
<td>0</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Table 2: Correlation Matrix; source: Original Research
### TABLE 3 Does Suicide increase Unemployment? (REGRESSION ANALYSIS):

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>1961–2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-0.5626429 (0.4023871)</td>
</tr>
<tr>
<td>Unemployment</td>
<td>-0.4632744 (0.1736589)**</td>
</tr>
<tr>
<td>Divorce</td>
<td>1.955868 (0.5833511)**</td>
</tr>
<tr>
<td>Respiratory Diseases Rate</td>
<td>0.0513265 (0.0550638)</td>
</tr>
<tr>
<td>Liver Disease Rate</td>
<td>0.3044504 (0.2269394)</td>
</tr>
<tr>
<td>High School Graduation</td>
<td>0.0051142 (0.0628242)</td>
</tr>
<tr>
<td>Young (15-24)</td>
<td>1.518123 (0.7428465)**</td>
</tr>
<tr>
<td>Middle (25-64)</td>
<td>0.5811457 (0.407208)</td>
</tr>
<tr>
<td>Old (65 above)</td>
<td>0.3011969 (0.4171674)</td>
</tr>
<tr>
<td>South (Dummy)</td>
<td>-0.0854408 (0.0380568)**</td>
</tr>
<tr>
<td>West (Dummy)</td>
<td>0.0472691 (0.0141719)**</td>
</tr>
<tr>
<td>Mid-West (Dummy)</td>
<td>0.006874 (0.0103896)</td>
</tr>
<tr>
<td>Unemployment. South</td>
<td>0.8825601 (0.3942254)**</td>
</tr>
</tbody>
</table>

Adjusted $R^2$ 0.7818

F-Statistic 13.84**

Observations 44

Notes: The dependent variable is Suicide Rate. C is the constant term. Figures in parentheses are t-statistics. The asterisks * and ** indicate significance at the levels of 5% and 1% respectively.
Intellectual Capital Disclosure: A Comparative Study on Information Technology Companies of India and Bangladesh

Sumon Bhattacharjee and Swadip Bhattacharjee

Abstract

The study attempts to compare and analyse the differences between Intellectual Capital (IC) disclosures made by the top companies in the information technology (IT) sectors operating in India and Bangladesh. Using a content analysis method, the paper reviews the annual reports of the selected firms to determine IC disclosure (ICD) trends in India and Bangladesh. Statistical tools and graphs have been used to compare and contrast ICD disclosures in two countries. Disclosure of IC by the Indian companies is significantly higher than that of Bangladeshi companies. The findings of this study have profound implications for policy makers and standard setters for rethinking the issue of incorporating ICD in financial statements. The study is limited to a selected few firms of only one sector of the knowledge economy and only for one year, 2012-13. However, this can be extended to a certain extent to consider a comparative picture of other knowledge-intensive industries.

Keywords: Bangladesh, content analysis, disclosure, India, intellectual capital

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1. Introduction

The development of technology and knowledge-based assets has shifted organizational value drivers from tangible assets to intangible ones. Increased reliability in terms of skills, knowledge, experience, training and attitude of the employees is quite apparent in many companies. The accounting literature identifies these categories of attributes and the characteristics of intangible value drivers as being intellectual capital (IC). IC, albeit not concretely defined, refers to the non-physical resources (intangibles) of a company that “can be leveraged to create value for the stakeholders of that organization (Keenan & Aggestam, 2001).” Some authors define IC as the difference between the book and market values of a company (Ordonez de Pablos, 2003). This difference is not capitalized in corporate financial reports, hence it is usually described as “hidden assets” (Oliveras et al., 2008). Consequently, IC constitutes all factors of production which are invisible on the traditional balance sheet but contribute to a company’s long-term profitability (Choudhury, 2010).

Additionally, previous research has revealed that IC or intangible assets (an intellectual capital component) outside financial statements are value drivers of firms because firms increasingly base their own value on know-how, patents, skilled employees and other intangible assets (Bukh, 2003). Undoubtedly, IC is of extreme significance in the case of information technology (IT) sector companies as the productivity of such companies largely depends on skills, training and development of employees, innovation, research and development and value creation through service. This study stems from an interest in the study and comparison of the “nature” and “extent” of voluntary IC disclosures (ICD) by the IT companies of Bangladesh and India.
Importantly, corporate communication has undergone a notable number of paradigm shifts, from a mere reporting of financial statements to the inclusion of more strategic and forward looking information such as IC (Abeysekera, 2011). The Canadian Institute of Chartered Accountants’ survey concludes that intellectual assets are crucial for a firm’s success (Ghosh & Wu, 2007). It is important to note that various issues relating to measurement and recognition of intangibles and IC have been addressed, during the last decade, by a large number of accounting standards-setting bodies, professional accounting organizations and regulatory agencies over the world. The importance of intangible assets gained the attention of the International Accounting Standards Board (IASB), which developed an accounting standard concerning intangible assets (standard IAS 38), which was updated in 2008. The Financial Reporting Committee of the Institute of Chartered Accountants in England and Wales (ICAEW) issued a series of discussion papers on human and IC aimed at helping management to make key aspects of a company’s capabilities more transparent to investors (ICAEW, 2000 a, b).

However, until now, the majority of intellectual assets are not recognized in financial statements and IC as a category of balance sheet or notes remains absent from most of the corporate annual reports. This is primarily due to the non-mandatory requirements about ICD which lead to ad hoc practices being followed by companies in making disclosures. Also, it should not be denied that the traditional financial reporting model is incapable of reporting user-friendly information (Francis & Schipper, 1999) and the practice of the current reporting model not to report an increase in the value of a firm which is not due to tangible assets. This can lead to vast differences in the true and reported value of firms. When the real value of a firm is not reported due to the non-existence of mandatory requirements, standards or legislation, then information provided will not be exactly relevant to stakeholders. Both the studied nations, Bangladesh and India, are in the process of adopting International Financial Reporting Standards (IFRS) which now require companies
to ensure that the recorded value does not materially differ from a fair value. One of the implications of these requirements is the adoption of a revaluation model. However, Deegan (2007) mentions that intelligible assets remains outside the financial statements due to the conservative approach of the standards in terms of the recording and reporting of such assets. A key challenge is the need to identify theoretical and practical solutions to the recognition, measurement and reporting of intangible assets, processes and potentials not heretofore tracked by traditional accounting metrics (Abeysekera, 2006; Ducharme, 1998; Guthrie & Petty, 2000a) and, hence, the emergence of ICD theory and practice within which this paper is situated.

2. Literature Review

It is apparent from the voluminous number of publications that there has been an increasing awareness of the importance of measuring the extent of IC reporting in different parts of the world (Abeysekera & Guthrie, 2005; Abeysekera, 2007; Bontis, 2003; Brennan, 2001; Bruggen, Vergauwen & Dao, 2009; Goh & Lim, 2004; Guthrie & Petty, 2000b; Guthrie, Petty & Riceeri, 2006; Joshi, Ubah & Sidhu, 2010; Joshi & Ubha, 2009; Joshi, Ubah & Sidhu, 2011; Kamath, 2006; 2007; 2008a; Khan & Ali, 2010; Nurunnabi, Hossain & Hossain, 2011; Oliveras et al., 2008; Olsson, 2001; Pablos, 2003a, 2003b; Singh & Kansal, 2011; Sujan & Abeysekera, 2007; White et al., 2010; Whiting & Woodcock, 2011). Notably, research studies on IC are not limited to the scope and authority of developed countries; rather, there is an increasing amount of research coming from developing countries. The following sub-points draft a brief review of IC studies in India and Bangladesh as well as comparative studies completed throughout the world concerning ICD.

2.1. IC Studies in India

In comparison to the international level, a very few studies have been carried out in India. Pablos (2003a) found that the IC reports in India
do not focus on the business model, values, mission and vision and/or knowledge management issues. The level of disclosure has been found to be low. Kamath (2008a) analyzed “TecK” (i.e. technology, entertainment, communication and other knowledge-based) companies and found that, overall, Indian firms were disclosing the small extent of their IC. Indian IT firms were disclosing more information on IC compared to other sectors. Kamath (2008b) in another study on the pharmaceutical industry found that in spite of growing importance and efficiency in the utilization of the intellectual resources in the Indian pharmaceutical industry, the impact of the same on the financial performance of the industry was found to be missing. Singh and Kansal (2011) analysed 20 Indian pharmaceutical firms and observed that ICD was low. A large number of companies did not disclose the trademarks and copyrights of the firms. Consequently, companies were undervalued according to reports on them. Ghose and Mondal (2009) conducted a study on Indian software and pharmaceutical firms and found that profitability was explained by IC more than productivity and market valuation. In an initial study, Joshi and Ubha (2009) analyzed voluntary ICD by the leading 15 IT and software companies in India. They found negligible disclosures in the annual reports. In a more extensive later study, Joshi et al. (2011) found that the Indian companies made very low reporting of IC.

From this review of the literature, it may be emphasized that IC research is in an early phase in India. India, being a developing country, has a large potential for human capital efficiency and structural capital efficiency and, hence, there is vast scope for examining IC performance. Corporate IC efficiency and its association with the financial and market performance of the companies involved may be of considerable interest to managers, academicians and society at large.
2.2. IC Studies in Bangladesh

Very few studies have been found in Bangladesh on ICD practices. Mohiuddin, Najibullah & Shahid (2006) conducted a study on the banks of Bangladesh and observed that they had higher human capital efficiency in comparison with other efficiencies. A study conducted by Ali, Khan and Fatima (2008) on IC reporting practices of selected firms in Bangladesh using content analysis revealed that companies report very few IC items. Khan and Ali (2010) conducted a study of 20 private banks in Bangladesh and also tested the perceptions of various stakeholders about such disclosures. They found that there was no attention given to such disclosures by management. Nurunnabi et al. (2011) looked at ICD by 90 non-financial listed companies in Bangladesh and found that there was a lack of such a tendency among companies to make ICD. They found that companies in the IT sector did not disclose extensively, including with respect to matters relating to intellectual assets such as patents, trademarks and copyrights.

2.3. Comparative Studies

Several comparative studies have been performed by different researchers around the world. Pablos (2003b) conducted a study in Spain and compared company reporting patterns between Danish, Swedish and Spanish companies, finding Spanish firms to be behind the others in this regard. Abeyesekara (2007) found significant differences between Sri Lankan and Australian firms and suggested there should be a uniform ICR definition and a consistent reporting framework in terms of ICD. In another comparative study, Abeyesekara (2008) examined the ICD outline between a developing nation, Sri Lanka, and a developed nation, Singapore. He selected a sample of 20 listed firms in both Sri Lanka and Singapore and found differences in disclosure patterns and attributed them to the absence of a uniform approach for such disclosures. He noted that economic, social and political factors can play a significant role in determining
the extent of voluntary ICD. A list of the comparative studies is presented below.

<table>
<thead>
<tr>
<th>Researcher(s)</th>
<th>Countries of Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abeyesekara (2007)</td>
<td>a developing and a developed nation (Sri Lanka and Australia)</td>
</tr>
<tr>
<td>Abeyesekara (2008)</td>
<td>A developing nation, Sri Lanka and a moderately developed nation, Singapore</td>
</tr>
<tr>
<td>Pablos (2003b)</td>
<td>Compared company reporting patterns between Danish, Swedish and Spanish companies</td>
</tr>
<tr>
<td>Guthrie et al. (2006)</td>
<td>Australian and Hong Kong</td>
</tr>
<tr>
<td>Bozzolan, O’Regan &amp; Ricceri (2006)</td>
<td>Between Italian and the UK companies</td>
</tr>
<tr>
<td>Sonnier (2008)</td>
<td>Between two sectors of the US economy</td>
</tr>
<tr>
<td>White et al. (2010)</td>
<td>Between Australian and the UK biotechnology companies</td>
</tr>
<tr>
<td>Joshi, Ubah &amp; Sidhu (2012)</td>
<td>Between Indian and Australian information technology companies</td>
</tr>
</tbody>
</table>

**Table 1: Comparative Studies in the Field of ICD; source: Authors**

3. Objectives, Research Questions and Hypotheses of the Study

The above list (Table 1) illustrates those comparative studies on ICD completed to date either comparing a developing country’s ICD to that of a developed country or comparing ICD between two developed countries. It is evident that comparative study has been conducted on ICD between two developing countries. This paper is intended to fill this gap in the research by comparing the ICD of IT sector companies in two developing nations, India and Bangladesh. It is hoped that this initiative will further enrich the literature in the area of ICD.
3.1. Research Questions

After in-depth study of the literature on ICD and comparative studies on various countries, our study aims to explain two main research questions:

- is there any measurable difference in the nature and extent of ICD by Indian and Bangladeshi IT companies?
- is there any difference in the level of ICD by Indian and Bangladeshi companies?

The first research question examines the nature of ICD and the extent of ICD made by companies in both countries. The disclosures have been measured by using line counts. The total number of companies making ICD for each IC disclosing item have also been calculated.

The second research question examines comparative differences in the level of ICD by companies in both countries. Statistical tests have also been used in order to find the answers to both questions.

3.2. Research Hypotheses

On the basis of the reviewed literature, the above research questions can be transformed into the following research hypotheses:

Hypothesis 1: ICD by the IT companies in India and Bangladesh countries is significantly different.

Hypothesis 2: There is a significant difference between the IC terms disclosure of Indian and Bangladeshi IT firms.

3.3. Research Methods

The study is a quantitative type research which has mainly opted for comparing and analyzing the differences between ICD made by the
top IT companies operating in India and Bangladesh. This study employs the method of the content analysis of published annual reports. Content analysis is one of the most widely used research methods applied in studying ICD by companies (Abeysekera, 2007, 2008; Abeysekera & Guthrie, 2005; Bontis, 2003; Bozzolan, Favotto & Ricerri, 2003; Brennan, 2001; Guthrie & Petty, 2000a; Guthrie et al., 1999; Guthrie et al., 2004; Joshi et al., 2010, 2011, 2012; Kamath, 2008a; Oliveras et al., 2008; Olsson, 2001; Striukova, Unerman & Guthrie, 2008; Sujan & Abeysekera, 2007). Content analysis involves codifying qualitative and quantitative information into pre-defined categories in order to derive patterns in the presentation and reporting of information (Guthrie & Petty, 2000a). The coding process involves reading the annual reports of each company and coding the information according to pre-defined categories of IC (Bhasin, 2012).

Annual reports are useful to acquire information about corporations, because managers point out important information in annual reports (Guthrie & Petty, 2000a). It shows information about the development and events during a year in a complete and compact way. Our study includes reading corporate annual reports and coding the information contained therein.

To identify the companies making ICD, a survey of literature was performed to shortlist the related IC terminology. According to Bontis (2003), “A panel of researchers from the World Congress on IC summarized the list of IC items into a collection of 39 terms that encompassed much of the intellectual capital literature.” However, some different lists were used by other researchers (for example, Guthrie et al., 2004) and the list used by Bontis (2003) was considered comprehensive for preliminary survey results. Importantly, the same list has been applied for content analysis of ICD by Kamath (2008b) and Joshi et al. (2012) for comparing and analyzing ICD. The final list of terms is reported in Table 2.
<table>
<thead>
<tr>
<th>Business Knowledge</th>
<th>Employee Productivity</th>
<th>Intellectual Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Reputation</td>
<td>Employee Skill</td>
<td>Intellectual Resources</td>
</tr>
<tr>
<td>Competitive Intelligence</td>
<td>Employee Value</td>
<td>Knowledge Management</td>
</tr>
<tr>
<td>Corporate Learning</td>
<td>Knowledge Assets</td>
<td>Expert Networks</td>
</tr>
<tr>
<td>Corporate University</td>
<td>Expert Teams</td>
<td>Knowledge Management</td>
</tr>
<tr>
<td>Cultural Diversity</td>
<td>Knowledge Sharing</td>
<td>Human Assets</td>
</tr>
<tr>
<td>Customer Capital</td>
<td>Knowledge Stock</td>
<td>Human Capital</td>
</tr>
<tr>
<td>Customer Capital</td>
<td>Management Quality</td>
<td>Human Value</td>
</tr>
<tr>
<td>Customer Knowledge</td>
<td>IC</td>
<td>Organizational Culture</td>
</tr>
<tr>
<td>Economic Added Value</td>
<td>Information Systems</td>
<td>Organizational Learning</td>
</tr>
<tr>
<td>Employee Expertise</td>
<td>Relational Capital</td>
<td>Intellectual Assets</td>
</tr>
<tr>
<td>Employee Know-how</td>
<td>IC</td>
<td>Structural Capital</td>
</tr>
<tr>
<td>Employee Knowledge</td>
<td>Intellectual Material</td>
<td>Supplier Knowledge</td>
</tr>
</tbody>
</table>

**Table 2:** Intellectual Capital Search Terms; **source:** adapted from Bontis (2003).

**3.4. Sample Size**

The total analysis has been conducted on the published annual reports of the selected companies for the year 2012-13. The annual reports were collected from the websites of the respective companies. The population and sample of the study are given below (Table 3):

<table>
<thead>
<tr>
<th>Country</th>
<th>Population (No. of listed IT companies)</th>
<th>Sample Size</th>
<th>% of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>23</td>
<td>8</td>
<td>35</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>8</td>
<td>8</td>
<td>100</td>
</tr>
</tbody>
</table>

**Table 3:** Population and Sample; **source:** Original Research
It is worth mentioning here that, since there are eight listed companies in Bangladesh, annual reports of a similar number of companies in India have been surveyed to keep sample size for the both the countries equal. Now the findings of the study are given below. At first the disclosure status of IC terminology for both the countries are presented (see Table 4 below) on the basis of:

- number of disclosing companies (number of companies that disclosed a particular IC term);
- number of lines disclosed by companies (number of lines disclosed by the companies on a particular IC term).

4. Findings and Analysis

This table highlights that, out of 39 items, Indian IT companies disclosed 16 items (41%) whereas, in comparison, Bangladeshi IT companies reported only 9 items (23%). Indian companies missed 23 items of the index whereas Bangladeshi companies missed 30 items of the index.

There are 19 common items (49%) which were not disclosed by the companies in either country. In the case of Indian companies, the highest line count was “IP” – 35 lines (48%) of which were reported by six companies (75%). The second best disclosure is “Human Capital” – 8 lines (11%) of which were also disclosed by six companies (75%).
Table 4: Disclosure of IC items; source: Original Research (1 = no. of disclosing companies; 2 = no. of lines disclosed)

However, in case of Bangladesh, the term “Human Assets” was disclosed by five companies (63%), followed by the disclosure of the term “Employee Skill” by four companies (50%). The line count for the same comes to be only five lines (28%) and four lines (22%) respectively. The theme of this paper “IC” was not reported by any company in either country. Now, the number of lines disclosed on a particular IC term by the companies in India and Bangladesh are graphically presented below:
Figure 1: ICD by Indian IT Companies (Number of Sentences Disclosed on Each IC Term); source: Original Research

Figure 2: ICD by Bangladeshi IT Companies (Number of Sentences Disclosed on Each IC Term); source: Original Research
Here, Figures 1 and 2 represent the number of sentences disclosed on a particular IC term by Indian IT companies and Bangladeshi IT companies. Figure 3 gives a combined picture of IC terms disclosed by both Indian and Bangladeshi IT companies. Now, the descriptive statistics of the study are presented below:

<table>
<thead>
<tr>
<th>Country</th>
<th>Mean</th>
<th>S.D.</th>
<th>CV (%)</th>
<th>Standard Skewness</th>
<th>Standard Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>1.65</td>
<td>1.725</td>
<td>104.55</td>
<td>1.7000</td>
<td>2.610</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>0.85</td>
<td>1.387</td>
<td>163.18</td>
<td>2.137</td>
<td>4.319</td>
</tr>
</tbody>
</table>

Table 5: Statistical Comparison of Mean No. of Companies Disclosing IC items; source: Original Research

Taking a sample of eight companies, the differences between the means of the number of companies disclosing an item of IC have been calculated for both countries. On average, an item of IC is disclosed by two companies (1.65 companies rounded up) in India and one company (0.85 company rounded up) in Bangladesh. Standard deviation shows that ICD in Bangladesh is less volatile than ICD in
India. However, the coefficient of variation shows that, in Bangladesh, the variation in ICD is high relative to ICD by Indian companies.

Now, the descriptive statistics of the study tested to determine whether there are any significant differences between disclosure status of the companies of India and Bangladesh are presented.

<table>
<thead>
<tr>
<th>Country</th>
<th>T-Test</th>
<th>Mann-Whitney (Wilcoxon) W-test</th>
<th>Shapiro–Wilk test</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>T = 1.616</td>
<td>W = 333.50</td>
<td>S-W = 0.737</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>P Value = 0.115</td>
<td>P value = 0.029</td>
<td>P value = 0.000</td>
</tr>
</tbody>
</table>

Table 6: Test Result to Compare the Differences between Mean No. of Companies Disclosing IC Items; source Original Research (Notes: n = 20. Significant at 0.05 Level).

The result of the t-test, t = 1.616, p value > 0.005, shows that there is no significant difference in mean numbers of companies disclosing an item of IC. However, the standard skewness and standard kurtosis of India and Bangladesh, lying outside the range of -2 to +2, indicated significant departures from normality, which would tend to invalidate the tests which compare the standard deviations. Consequently, in addition to the t-test to compare the means of the two samples, it is considered desirable to run the Mann-Whitney (Wilcoxon) W test to compare medians and the Shapiro–Wilk test to compare the distributions of the two samples. The Mann-Whitney test results (W = 333.50, p value = 0.029 < 0.05) shows that there is a statistically significant difference between the medians at the 95% confidence level. This suggests that the mean numbers of companies are significantly different for disclosing IC items. The result is further confirmed by S-W statistics in the Shapiro-Wilk test, which indicate that there is a statistically significant difference between the two distributions at the 95% confidence level.
Table 7: Statistical Comparison of Mean No. of Sentences Disclosed by Companies; source: Original Research

Table 7 shows that the mean number of sentences disclosed on any of the items in the IC index in India are four sentences (3.65 sentences rounded up) as compared to just one sentence (0.90 sentence rounded up) by Bangladeshi companies. Standard deviation and coefficient of variation show that, in India, the variation in ICD is high relative to ICD by Bangladeshi companies. Here, also, the value of standard skewness of Bangladesh lies between the range of -2 to +2 but other statistics, notably the standard skewness of India and the standard kurtosis of India and Bangladesh together, lie outside the range of -2 to +2. This indicates significant departures from normality, which tends to invalidate the tests which compare the standard deviation and coefficients of variation.

Next, the descriptive statistics of the study intended to find whether there are significant differences between disclosure status of the companies of India and Bangladesh are presented.

Table 8: Test Results to Compare the Differences between Mean No. of Sentences Disclosed by Companies; source: Original Research (Notes: n = 20. Significant at 0.05 Level).
The t-value $= 1.581$, with $p = 0.129 > 0.05$, indicates that there is no significant difference between the mean number of sentences disclosed by Indian and Bangladeshi IT companies at the 95% level of significance. Since the data values are not normally distributed, in addition to the t-test to compare the means of the two samples, it is beneficial to run a Mann-Whitney (Wilcoxon) W-test to compare medians and a Shapiro-Wilk test to compare the distributions of the two samples. In the Mann-Whitney test, with $W = 327.00$ and $p < 0.05$, the statistically significant differences can be observed in the medians of two distributions. These results are further strengthened by the Shapiro-Wilk test statistic of 0.378, with p value $< 0.05$. Overall, therefore, it can be concluded that on any item of IC, the Indian companies make more disclosures than do the Bangladeshi companies.

5. Implications of the Findings

One major observation from this comparative research study is the challenge to the accounting profession to establish harmony about a methodology for ICD (Guthrie et al., 1999). Guthrie and Petty (2000b) in Australia, Brennan (2001) in Ireland, Olsson (2001) in Sweden, Abeyesekara (2007) in Sri Lanka and Joshi et al. (2012) in Australia, in their studies in several nations of human capital have shown that the differences in fundamental assumptions and frameworks between countries can result in different outcomes that are not comparable between firms and nations. Only a consistent disclosure methodology can enable IC to be compared across firms globally for investor resource allocation. So, the findings of this study have profound implications for policy-makers and standard-setters for rethinking the issue of incorporating ICD in financial statements as compulsory items.
6. Concluding Remarks

India and Bangladesh have various and contrasting differences in various sectors of economy such as GDP growth level, labour force, export and import policy, as well as geographical boundaries. The Indian software market size and the shares of its own companies are higher than in Bangladesh. Despite these differences, ICD by companies in both countries remains relatively low. Indian IT companies have performed better than Bangladeshi IT companies and report on more index items in this study. The line counts and mean sentences disclosure of items in the IC index for Indian companies are also higher than those of Bangladeshi companies. Further, there is also a difference between means of number of companies disclosing an item of IC.

Finally, it can be said that the voluntary practices of ICD can substantially improve the credibility of financial reporting as a source of relevant information to users. This will not only add to the quality of information but stakeholders will, also, be able to make an assessment of the true value of a firm.

This comparative study of two countries is, of course, not free from research limitations:

- the study is limited to using content analysis as a research tool, together with the assessment of the varied natures of corporate cultures and regulatory frameworks in both nations;
- the study is limited to a few, selected firms in only one sector of the knowledge economy and only for the year 2012-3. However, this can be extended to provide a comparative study of other industries representing the knowledge sector, such as banking, insurance, pharmaceutical and other knowledge intensive industries;
the study may have limited external validity due to its sample size of eight listed firms only in each country and findings may not be representative of firms in India and Bangladesh more broadly.

As an important issue at the present time, it would be advisable for the standard-setters to employ mechanisms to motivate firms to conduct ICD. One such mechanism could be rewards for the best disclosure of IC information in an annual report that might also bring about competitiveness among companies to disclose their corporate information. The inclusion of ICD will be helpful for firms in establishing corporate image in the public sphere for people who wish to make use of annual reports as the principle reporting mechanism. Global accounting bodies like the IASB and the IFA could provide specific guidelines for valuation systems and approaches for the reporting of IC. The respective regulatory authority of a country can play a vital role by inducing the listed companies to provide fair disclosure practices concerning IC.

The authors have some suggestions for future research in this field of knowledge. First, an expanded sample size and an extended time period of study for comparative ICD studies might provide more insights about ICD practices. Second, comparative ICD may be studied with reference to financial and non-financial determinants of voluntary disclosures by the firms operating in different environments. These determinants may include the size of the business (Bozzolan et al., 2006; Meca, Jorge & Conesa, 2003), industry type (Sujan & Abeyesekara, 2007), leverage (Ahmed & Courtis, 1999; White et al., 2010), financial performance variables, corporate governance variables and the country specific legislative disclosure requirements. Further, ICD research that includes these variables can enrich investigation of inter-country ICD practice.
7. References


### Appendix 1: List of IT Firms as Listed by the Bombay (Mumbai) Stock Exchange (BSE)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Bharti Airtel Limited</td>
</tr>
<tr>
<td>2.</td>
<td>Finolex Cables Limited</td>
</tr>
<tr>
<td>3.</td>
<td>HCL Technologies Limited</td>
</tr>
<tr>
<td>4.</td>
<td>I-Flex Solutions Limited</td>
</tr>
<tr>
<td>5.</td>
<td>Jargan Prakashan Limited</td>
</tr>
<tr>
<td>6.</td>
<td>Paramount Communications Limited</td>
</tr>
<tr>
<td>7.</td>
<td>Reliance Communications Limited</td>
</tr>
<tr>
<td>8.</td>
<td>Tata Consultancy Services Limited</td>
</tr>
</tbody>
</table>

### Appendix 2: List of IT Firms as Listed by the Dhaka Stock Exchange (DSE)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Aamra Technologies Limited</td>
</tr>
<tr>
<td>2.</td>
<td>Agni Systems Limited</td>
</tr>
<tr>
<td>3.</td>
<td>Bangladesh Submarine Cable Company Limited</td>
</tr>
<tr>
<td>4.</td>
<td>BD Com Online Limited</td>
</tr>
<tr>
<td>5.</td>
<td>Daffodils Computer Limited</td>
</tr>
<tr>
<td>6.</td>
<td>Grameen Phone Limited</td>
</tr>
<tr>
<td>7.</td>
<td>Intech Online Limited</td>
</tr>
<tr>
<td>8.</td>
<td>Information Services Network Limited</td>
</tr>
</tbody>
</table>
Service Quality in Commercial Banks: A Customer-Oriented Empirical Study of State Bank of India

Ritika Gauba and R.C. Mishra

Abstract

The early 1990s saw the dawn of a new era in the Indian economic landscape. The old socialist license raj business model gave way to a liberalized banking industry. The result of this stands in front of us as one of the largest banking hubs of the world, estimated to be worth US$ 1.3 trillion, with a total of 167 commercial banks and 87,768 business offices. Banking is a service industry and, therefore, the quality of customer service plays a pivotal role in the prosperity of any bank and it is this good customer service which in turn leads to better customer relationships, higher customer satisfaction, increased customer loyalty and, ultimately, profitability. This research paper attempts to study the customer satisfaction level of SBI, which is the largest bank in India with a total of ten thousand branches, serving nearly one hundred million customers across the nation. The result of the above research will help the bank to identify the impact of banking personnel, processes, physical evidence, occupation, gender income and age on customers’ satisfaction levels. The unhelpful employee attitude and mismanaged online banking, ATMs and the absence of any proper grievance redressal mechanisms were identified as the major causes of customer dissatisfaction at SBI. Through these findings, the bank will be able to understand what its customers expect from the bank and, therefore, can formulate policies and products accordingly, which in turn will help to improve its customer service, satisfaction, loyalty and profitability.

Key Words: banking industry, commercial bank, customer satisfaction, customer service, State Bank of India
1. Introduction

Liberalization, privatization and globalization have all led to a new stage of customer relationship management (CRM) in banks. The liberalization of the Indian banking industry and the concomitant increased competition has changed the perception of the Indian banks towards customer service. The attempt to serve the customer better has led to pioneering banking services and products. Banks are now looking for increasing levels of interaction with customers so as to build healthy and loyal customer relationships.

Excellent CRM is the future of many businesses. Customer focus is not to be viewed as just a business strategy but should become a corporate mission (Shankar, 2004). Once good service is extended to a customer, that satisfied customer will work as an ambassador for the bank and facilitate growth of the business (Bhaskar, 2004). Customer satisfaction is defined by Kotler (2000) as “… a person’s feelings of pleasure or disappointment resulting from comparing a product’s perceived performance (or outcome) in relation to his or her expectations.” If the product or service matches the expectation, the consumer is satisfied, broadly speaking. Further, if it exceeds the expectation, the customer might be highly satisfied while if it falls short, the customer is likely to be dissatisfied.

Banks today are increasingly interested in retaining existing customers while targeting current non-customers. Consequently, measuring
customer satisfaction provides an indication of success of the organization in retaining and increasing its customers.

According to Hoyer and McInnis (2001), customer retention is “… the practice of working to satisfy customers with the intention of developing long-term relationships with them.” Meanwhile, Zineldin (2000) said that retention can be defined as “… a commitment to continue to provide the fundamental insights about customer satisfaction and retention.” Looking a little deeper into these basic attributes, it is apparent that there are various reasons contributing to customer satisfaction and that, ultimately, customer retention is important for a firm. To begin with, in order to acquire a customer, a company incurs promotional costs like advertising, sales promotion and so on. It costs ten times more to attract a new customer than retaining the old one. Hoyer and MacInnes (2001) believe that, as customers remain satisfied with a service provider, they spread positive word of mouth, which is very effective in case of services for attracting new customers. Last but not least, if a customer stays longer with an organization, that organization will know more about the customer and that will enable the organization to offer customized services which are intended to make it difficult for the customer to defect. This may even provide opportunities for the organization to charge a price premium by offering individualized services which may be difficult for competitors to offer.

Customer service has been the focus of attention of the government and the Reserve Bank of India (RBI). Various committees, such as the Talwar Committee (1975), the Goiporria Committee (1991), the Banking Codes and the Standard Board of India (2006), the Damodaran Committee (2011) and others have considered the problem at great length and made several recommendations for improvements to commercial banks.

Consequently, bearing in mind the growing importance of customer service in the excessively competitive banking environment of India,
this research study was conducted to measure and analyse the customer service and satisfaction level of India’s leading bank, the State Bank of India (SBI), which is currently chaired by Ms. Arundhati Bhattacharya and is the oldest and largest commercial bank in India in terms of number of branches, employees, balance sheet, deposits & assets.

As of March 31st 2013, SBI had a profit of Rs. 3299 crore\(^5\) and deposits worth Rs. 4 lakh crore. The bank has a total customer base of approximately ten crore people, which are being served by nearly 10,000 and 27,000 ATMs. SBI is said to have the second largest banking network in the world, behind only the Industrial Commercial Bank of China (ICBC).

SBI realises that good customer service and satisfaction will assist its future success and survival and, on July 1st, 2008, unveiled its new vision statement, which contained the distilled essence of the views of more than 140,000, staff who were overwhelmingly of the opinion that the Bank’s vision should focus primarily on customer service. The new Vision & Mission statements thus designed were as follows:

**Vision:** “My SBI, my Customer first, my SBI: fFirst in customer satisfaction.”

**Mission:** Excellence in customer service.

These statements focus the new orientation of the bank and this study will help to analyse their effectiveness in meeting the objective of good customer service and, thereby, retaining them.

\(^5\) See FN 3 and 4 (ed.).
2. Literature Review

To build the conceptual framework for this study, we draw on the literature related to (i) Customer satisfaction and (ii) Customer relationships in the Indian banking sector.

A judicious mix of conventional marketing and superior customer service has been pronounced as the best recipe for sustained market success for every organization (Parasuraman, 2000). Despite this, many companies have little if any clue what their customers really think. They operate in a state of ignorant bliss, believing that if their customers were anything less than one hundred percent satisfied then they would have heard about it (Cochran, 2003). Consequently, in order to gain a competitive advantage, Gerson (2001) recommended all organizations proactively to gauge their customers’ perceptions and aggressively act on the findings. This, in turn, will help increase the satisfaction level of the customer. The advantage of this was explained by Dutta (2005), who stated that a highly satisfied or delighted customer creates an emotional bond with the brand or company and will not only repurchase but also spread good word of mouth. Hague and Hague (2013), in their research note that “… the cost of keeping a customer is only one tenth of winning a new one and a satisfied customer may also pay a premium for the privilege of doing business with an organization they trust.”

In common with just about every other industry, in the banking sector and elsewhere, there is a direct link between customer satisfaction, retention, profitability and growth (Parthasarathi, 2010). Supporting this view, Kamath (2010) opined that those who survive and prosper in the banking industry of India today would be those who keep focus on customers, shareholders and employees. Gupta and Rawat (2009) explain that, as banking in India currently is not only witnessing rapid changes but, also, facing severe competition, so banks need to understand service quality management, as it could help them create differential advantage vis-à-vis their competitors. The banks should
understand that their customers’ perceptions of quality and switch from a product-centric model to a customer-centric one. As contemporary customers are smarter, more demanding, less forgiving and are continually being approached by numerous competitors with equal or better offers (Kalyan& Addanki, 2009).

Various research studies have suggested different areas in which banks should concentrate so as to increase customer satisfaction levels. For example, Dinesh (2013) writes that the banks need to remain focused on improving the customer experience while leveraging advantages from three pillars: people; processes and physical evidence. The focus should be on providing quality and consistent service to customers across all channels of interaction. Similarly, Singh (2004) says that the level of customer service and satisfaction is determined by the location of the branch and its ambience, quality of service provision, systems and procedures, automation and computerization, complaint redressal and, very importantly, staff skills, attitudes and responses. Supporting this view, Ganesh and Varghese (2003) observed that good customer service in banks should have three basic tenets: courtesy; accuracy and speed.

This brief review of literature indicates that customer service is the most critical factor in retaining customers in the competitive banking industry of India. The literature also establishes various arenas in which commercial banks should concentrate so as to increase the level of customer satisfaction. However, very few studies have been conducted with respect to analysing the practical approach taken by the Indian commercial banks towards improving customer service. Consequently, this paper focuses on analysing the satisfaction level of the customers in the largest and oldest bank of India, SBI, from the three Ps of personnel (their knowledge, efficiency, courtesy), processes (banking process or delivery of service) and physical infrastructure (IT infrastructure and facilities).
3. Research Methodology

At the beginning of this study, exploratory research was undertaken through an in-depth review of literature in order to identify the research problems and to formulate the objectives. A descriptive research design was used in the next stage of the research and this had the purpose of describing the profile of the respondents and determining the frequencies, percentages, and means of the measures used in the study. This descriptive research was unable to explain the relationship among variables (Zikmund, 2000) and, therefore, to establish the relationships and associations among the variables used in the study, an explanatory research method was used. A survey method using a structured questionnaire was used for collecting primary data from the respondents because it offers a more accurate means of evaluating information about the sample and enables the researchers to draw conclusions about generalising the findings from the sample to the population overall. The study also made use of secondary data collected from published sources such as reports of the RBI and recommendations from various customer services committees.

Various aspects of the research design used in this study are described in more detail below.

3.1. Objectives of the Study

The objectives of this study are as follows:

1. To study and analyse the impact of personnel (their behaviour, knowledge, efficiency and involvement) on customer satisfaction at the SBI.

2. To understand the impact of bank processes (banking process, CSD, punctuality, call centres, electronic services) on consumer satisfaction at the bank.
3. To explore the role, importance and impact of physical infrastructure (IT infrastructure, ATMs, seating arrangements and parking) on consumer satisfaction with the bank.

4. To analyse the impact of income, occupation, gender and age on the level of customer satisfaction with SBI.

3.2. Research Area

Lucknow, the capital of Uttar Pradesh, is one of the most populous cities of India with a total of nearly five million residents spread across an area of 3,244 square kilometres. Lucknow is a vibrant city that is witnessing an economic boom and is amongst the top ten fastest growing non major metropolitan cities of India ( ).

According to a study conducted in 2010 by the Assocham Placement Pattern (APP) on 'Job Trends in the Four Metros,' which analysed the trend of job openings in 60 cities and 32 sectors from a sample size of 240,314 employment opportunities created during the period April-August 2010, Lucknow ranked 6th among cities in India and second amongst the tier two cities after Pune for fastest job-creation ( ).

The rapid growth of the economy of Lucknow is being seen as a gateway to the development of the banking industry in the city. Lucknow has a total of 33 banks with 475 offices spread across the length and breadth of the city.

3.3. Population and Sample of the Study

The population of the study included all the customers of SBI in Lucknow, which are approximately 45,000 in number (refer endnote 1). A sample of 1% of the total population was taken as the minimum sample size, as this can be considered representative of the population (Shil, Chandra & Nikhil, 2010). One percent of the total population equals 450 customers. However, taking into consideration that a few
customers might have been added by the time the research was completed, a total of 480 customers was taken as the final sample.

3.4. Sample Technique & Design

In order to ensure that customers across the city from various age groups and income levels were included in the sample, a multi-stage sampling technique was undertaken. In the first step, cluster sampling was undertaken in which the entire city was divided into four zones. From each zone, the three biggest branches were selected for a total of 12 branches, which represents 27% of the total number of branches in Lucknow.

As customers of various age groups and income levels have different requirements from the bank, it was thought appropriate to use stratified sampling. This is because stratified sampling enables researchers to draw inferences about specific subgroups that may otherwise be obscured in a more generalized random sampling. Further, utilizing a stratified sampling method can lead to more efficient statistical estimates. Consequently, 40 customers were chosen from each branch and these were further stratified into four groups of ten customers each. Each group representing one of four discrete income levels.

Again, each of these groups of ten customers were further stratified on the bases of age group, with three out of ten from the age group 0-35 years representing young people, the next three from the age group 36-59 representing the middle aged and the last two representing the senior citizen customers who are above 60 years of age.

3.5. Questionnaire Design

Step 1: An instrument with a set of 30 statements related to various bank services considered to be imperative for customer satisfaction was prepared. This questionnaire was sent for peer review to ten
different people. The peers were requested to suggest any kind of addition, improvement or deletion in the existing statements.

Step 2: Based on the feedback from the peers, another questionnaire was prepared with 45 statements, each related to various bank services also deemed imperative for customer satisfaction. This questionnaire was then sent to 30 different people. Each one of them was asked to rate on a Likert-style 5-point scale of the extent to which they agree or disagree with a particular statement.

Step 3: The score obtained by each of the service statement as given by the 30 peers was summed.

Step 4: Each of the 45 statements was allocated into three service dimension categories: people; processes and physical dimensions. The top ten statements in each category were included in the final questionnaire. The people dimension included all the questions related to the employees and the level of services provided by them. The process dimension related to the actual policies and processes of the banks. The physical infrastructure related to the various tangible and technology-related services of the banks.

Step 5: The final questionnaire thus includes 60 service-related questions, out of which 30 measured customer expectations of the bank and the other 30 their actual experiences, perceptions and observations with the SBI.

Step 6: The scale used in the final questionnaire was a 5-point Likert-type scale with the following values: 1. Fully Agree; 2. Agree; 3: Neutral; 4. Disagree; 5. Fully Disagree.

Step 7: Six other questions related to the profile of the respondent, two questions related to the name of the bank and its branch and one question related to the overall satisfaction level with the bank service were all also included in the final questionnaire. The respondents were
also asked to rank the three service dimensions according to the relative importance they attached to each.

3.6. Limitations of the Study

Although the study has been done with utmost possible rigor, nevertheless some possible limitations exist and these are now described. The sample size of the current study is 480. Although this sample size meets the minimum requirement, the researchers might have used a bigger sample size to find out more and with more confidence about service quality, customer satisfaction and customer loyalty in the retail banking settings in future. Other variables such as price, variety of products, rate of interest and others might influence customer decision-making processes in the retail banking industry and a longitudinal study might have been able to capture some of these effects. Finally, the respondent coverage in this study consists of Lucknow alone. The generalizations to a wider population or industry, including any relevant cultural issues, should be taken with caution.

4. Findings and Data Analysis

The respondents’ demographic profile is given in Table 1, which gives a detailed description of the respondents from four angles, i.e., gender, occupation, age and income. Subsequently, these variables are applied to the analysis of the three dimensions identified for the study.

The overall service level for the personnel dimension is dissatisfactory with a mean gap of -1.2. These employees of SBI are rated highly when it comes to product knowledge. However, the customers perceive them to be non-courteous, indifferent and not very prompt in providing their services. SBI, by not taking care of the two most important tenets of courtesy and speed, is indeed endangering its future customer retention and loyalty.
<table>
<thead>
<tr>
<th>Characteristic</th>
<th>N</th>
<th>%age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>359</td>
<td>75</td>
</tr>
<tr>
<td>Female</td>
<td>121</td>
<td>25</td>
</tr>
<tr>
<td>Occupation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td>134</td>
<td>27.9</td>
</tr>
<tr>
<td>Business</td>
<td>104</td>
<td>21.66</td>
</tr>
<tr>
<td>Professional</td>
<td>84</td>
<td>17.5</td>
</tr>
<tr>
<td>Student</td>
<td>62</td>
<td>12.91</td>
</tr>
<tr>
<td>Housewife</td>
<td>36</td>
<td>7.5</td>
</tr>
<tr>
<td>Retired</td>
<td>60</td>
<td>12.5</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-35 years</td>
<td>192</td>
<td>40</td>
</tr>
<tr>
<td>36-59 years</td>
<td>192</td>
<td>40</td>
</tr>
<tr>
<td>60 years &amp; Above</td>
<td>96</td>
<td>20</td>
</tr>
<tr>
<td>Income Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-25K</td>
<td>120</td>
<td>25</td>
</tr>
<tr>
<td>25-50K</td>
<td>120</td>
<td>25</td>
</tr>
<tr>
<td>50-100k</td>
<td>120</td>
<td>25</td>
</tr>
<tr>
<td>More than 100k</td>
<td>120</td>
<td>25</td>
</tr>
</tbody>
</table>

Table 1: Profile of Respondents; source: Original Research

<table>
<thead>
<tr>
<th>No.</th>
<th>Question</th>
<th>E (mean)</th>
<th>P (mean)</th>
<th>Gap Score (P-E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The banker dealt with is knowledgeable about the services and products on offer</td>
<td>4.9</td>
<td>4.1</td>
<td>-0.8</td>
</tr>
<tr>
<td>2.</td>
<td>The banker dealt with is courteous and polite</td>
<td>4.7</td>
<td>3.2</td>
<td>-1.5</td>
</tr>
<tr>
<td>3.</td>
<td>Prompt services by the banker in the bank</td>
<td>4.6</td>
<td>3.5</td>
<td>-1.1</td>
</tr>
<tr>
<td>4.</td>
<td>The banker explained the product and the service properly without hiding anything</td>
<td>4.7</td>
<td>4.2</td>
<td>-0.5</td>
</tr>
<tr>
<td>5.</td>
<td>The bank professional heard complaints and problems patiently and resolved them quickly</td>
<td>4.7</td>
<td>3.08</td>
<td>-1.62</td>
</tr>
</tbody>
</table>
6. The staff of the bank provided error-free services 4.6 3.8 -0.8
7. The bank staff were motivated and always happy to help customers 4.6 3.06 -1.54
8. The employees of the bank provided equal treatment to all customers 4.7 3.9 -0.8
9. The guards outside an ATM were vigilant and guided about times of ATM malfunctioning 4.6 2.7 -1.9
10. The bank’s staff were well-dressed and smart. 4.5 2.9 -1.6

Table 2: Analysis of SBI’s First Service Dimension ‘People;’ source: Original Research (E = expectation; P = perception)

<table>
<thead>
<tr>
<th>No.</th>
<th>Question</th>
<th>E (mean)</th>
<th>P (mean)</th>
<th>Gap Score (P-E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>A ‘may I help you’ person/desk is available for guidance</td>
<td>4.7</td>
<td>3.7</td>
<td>-1.0</td>
</tr>
<tr>
<td>2.</td>
<td>No hidden costs in the bank products or services</td>
<td>4.8</td>
<td>4.2</td>
<td>-0.6</td>
</tr>
<tr>
<td>3.</td>
<td>To get out of the bank quickly without standing in long queues</td>
<td>4.8</td>
<td>2.3</td>
<td>-2.5</td>
</tr>
<tr>
<td>4.</td>
<td>A convenient and simple method of calling the bank call centre in case of emergency</td>
<td>4.7</td>
<td>2.7</td>
<td>-2.0</td>
</tr>
<tr>
<td>5.</td>
<td>A proper follow up on my enquiry or complaint</td>
<td>4.6</td>
<td>2.8</td>
<td>-1.8</td>
</tr>
<tr>
<td>6.</td>
<td>The banks to provide account statements/credit card bills and other important documents timely</td>
<td>4.7</td>
<td>3.6</td>
<td>-1.1</td>
</tr>
</tbody>
</table>
7. To get an instant SMS about any transaction from my account or credit card 4.7 2.5 -2.2

8. The bank opens at the scheduled time of 9:30am and all employees are on their seats on time 4.7 2.8 -1.9

9. I don’t have to move from one table to another in the bank to get my work done 4.8 3.4 -1.4

10. Get reminder calls/SMS/emails for payment/renewal due dates 4.7 2.7 -2.0

| Table 3: Analysis of SBI’s Second Service Dimension ‘Process;’ source: Original Research (E = expectation; P = perception) |

In terms of the second dimension, also, the service level is found to be dissatisfactory. The analysis further reveals that the bank has no proper mechanism whereby complaints can be heard and resolved quickly. A recommendation regarding complaint handling has already been given in the Damodaran Committee Report (2011): “Banks should ensure that a suitable mechanism exists for receiving and addressing complaints from their customers.”

People usually come to a bank during their working hours and, therefore, want to rush back out of the bank as soon as possible. Realizing this fact, RBI instructed all banks to have a “…….specific and proper queue management system at branches where there is a heavy crowd, with basic facilities of seating arrangements, drinking water etc. (Report Of The Committee on Customer Service In Banks 2011).” Long queues in the SBI branches was a major cause of unhappiness for the SBI customer, as is apparent from question three in the process dimension.
It was also found by RBI that the customers wasted a lot of time finding the correct personnel for their work. The customers were often pushed from one table to the other to get their work done, because of which RBI made it compulsory to set up enquiry counters in visible places in every bank branch from 2009: “All branches, except very small ones, should have "Enquiry" or "May I help you" counters (Master Circular on Customer Service, 2009- Code 2.5 Guidance to Customers).” Even after four year of this regulation being in force, many branches of SBI do not have such a helpdesk.

In spite of the instructions by the Goiporia Committee (1991) that the bank should open on the dot at 9:30 a.m. and that the staff should arrive 15 minutes before that time, some SBI branches often open late and the staff are seldom seen on their seats at 9:30 a.m.

The call centre service is also not reported to be efficient enough. In today’s busy life, people prefer to find solutions to their problems as easily and quickly as possible. Improved call centre services would mean that a number of customer grievances could be resolved on the telephone alone which would, in turn, reduce the burden of on the employees in the bank.

<table>
<thead>
<tr>
<th>No.</th>
<th>Question</th>
<th>Mean E</th>
<th>Mean P</th>
<th>Gap Score (Mean)</th>
</tr>
</thead>
<tbody>
<tr>
<td>21.</td>
<td>Able to do banking by sitting at home through internet and mobile</td>
<td>4.6</td>
<td>2.6</td>
<td>-1.9</td>
</tr>
<tr>
<td>22.</td>
<td>The charges and interest rates of various services to be displayed in the bank</td>
<td>4.6</td>
<td>3.8</td>
<td>-0.8</td>
</tr>
<tr>
<td>23.</td>
<td>Proper location and parking facilities at the branch</td>
<td>4.8</td>
<td>2.6</td>
<td>-2.2</td>
</tr>
<tr>
<td>24.</td>
<td>Good ambience in the branch</td>
<td>4.6</td>
<td>2.3</td>
<td>-2.3</td>
</tr>
</tbody>
</table>
25. Basic amenities like sitting arrangements, drinking water | 4.7 | 2.5 | -2.6
26. Information regarding ‘grievance redressal’ to be displayed in the bank branch | 4.9 | 2.5 | -2.4
27. The banks to have a large number of ATMs which are evenly distributed across the city | 5 | 4.0 | -1.0
28. Properly working and maintained ATMs lead to satisfaction | 4.4 | 2.2 | -2.2
29. The information on the website of a bank is up to date. | 4.8 | 3.0 | -1.8
30. A bank to be electronically enabled and give all updates online rather than the traditional method of paper statements | 4.6 | 2.7 | -1.9

**Table 4:** Analysis of SBI’s Third Service Dimension ‘Physical Evidence;’ **source:** Original Research \((E = \text{expectation}; \ P = \text{perception})\)

The customers of the bank are most dissatisfied by the ‘physical evidence’ dimension of the bank. Though the SBI customers are satisfied with the number of ATMs, they are highly dissatisfied with their maintenance, cleanliness & security. They feel that the guards are not helpful or competent for the job. Most of the times the ATMs are out of order or do not function properly. The customers also reported that, as the doors of the ATM room do not lock properly, many times more than one person would be present during the time of the transaction, which is against the RBI guidelines of ATM security.

The research also reveals that the bank does not have a proper complaint redressal system, even after this was made mandatory by
the RBI. The banks also have not displayed anything about the grievance redressal system in the bank branches and, as a result, customers can feel lost when they have problems.

The customers of SBI also do not hold a good perception of the bank ambience. Many of the small branches were reported as not even providing even basic amenities such as sitting arrangements and water.

<table>
<thead>
<tr>
<th>No.</th>
<th>Income Level</th>
<th>N</th>
<th>Satisfaction Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0-25K</td>
<td>120</td>
<td>-1.58</td>
</tr>
<tr>
<td>2</td>
<td>25-50K</td>
<td>120</td>
<td>-1.53</td>
</tr>
<tr>
<td>3</td>
<td>50-100k</td>
<td>120</td>
<td>-1.54</td>
</tr>
<tr>
<td>4</td>
<td>More than 100k</td>
<td>120</td>
<td>-1.56</td>
</tr>
</tbody>
</table>

Table 5: Income Wise Satisfaction Level of SBI; source: Original Research

<table>
<thead>
<tr>
<th>No.</th>
<th>Gender</th>
<th>N</th>
<th>Satisfaction Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Male</td>
<td>359</td>
<td>-1.56</td>
</tr>
<tr>
<td>2</td>
<td>Female</td>
<td>121</td>
<td>-1.57</td>
</tr>
</tbody>
</table>

Table 6: Gender Wise Satisfaction Level of SBI; source: Original Research

In the case of SBI bank, the customer satisfaction level is almost equal amongst the different income & gender groups.
The analyses of the occupation and age dimensions reveal that the satisfaction level is the lowest amongst the retired customers and in the age group of 60 years and above. These findings show that no special provisions have been made by the banks to ensure easy banking for the elderly and retired people. The Damodaran Committee Report 2011 Rule IV. I. categorizes Senior Citizens and Pensioners as ‘special customers’ who should get prioritized services from the banks. However, it was determined that the senior citizens in the bank follow the same norms of banking as people in the other age groups. The senior citizens find it difficult to come to the bank due to their
physical health and they also seem to be not very comfortable with the modern techniques of banking.

<table>
<thead>
<tr>
<th>No.</th>
<th>Average Time</th>
<th>N</th>
<th>Satisfaction Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1-11 months</td>
<td>19</td>
<td>-1.66</td>
</tr>
<tr>
<td>2</td>
<td>1 – 3 years</td>
<td>117</td>
<td>-1.56</td>
</tr>
<tr>
<td>3</td>
<td>4- 6 years</td>
<td>105</td>
<td>-1.59</td>
</tr>
<tr>
<td>4</td>
<td>7-9 years</td>
<td>111</td>
<td>-1.57</td>
</tr>
<tr>
<td>5</td>
<td>10 &amp; above</td>
<td>128</td>
<td>-1.47</td>
</tr>
<tr>
<td></td>
<td><strong>Average</strong></td>
<td></td>
<td><strong>-1.57</strong></td>
</tr>
</tbody>
</table>

*Table 9: Customer Satisfaction and Loyalty to SBI (Time of Association); source: Original Research*

It is said that good customer service leads to customer satisfaction which in turn leads to customer loyalty. Indeed, analysis and comparison of customer satisfaction and years of association (see Table 9 above) shows a positive correlation between the two variables. As the years of association increase, so too does the satisfaction level (or at least the lower the level of dissatisfaction). Hence, it would be safe to say that if customers are satisfied with the services of the bank, they are likely to become loyal customers of the bank.

<table>
<thead>
<tr>
<th>No.</th>
<th>Service Dimension</th>
<th>Weight Assigned</th>
<th>Mean Score</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>People</td>
<td>0.36</td>
<td>-1.2</td>
<td>-0.43</td>
</tr>
<tr>
<td>2</td>
<td>Process</td>
<td>0.39</td>
<td>-1.65</td>
<td>-0.64</td>
</tr>
<tr>
<td>3</td>
<td>Physical Evidence</td>
<td>0.25</td>
<td>-1.53</td>
<td>-0.38</td>
</tr>
</tbody>
</table>

*Table 10: Weighted Score of the Three Service Dimension; source: Original Research*

The maximum weight or importance is attached to the process dimension, followed by personnel & finally physical evidence. On the bases of the product of the mean scores and the weight of the
respective dimension, the overall satisfaction level of SBI adds up to - 1.45.

5. Conclusion

This research was conducted in Lucknow and was a study of India’s leading bank, SBI. The research was conducted keeping in mind the growing importance of customer service and satisfaction in the extremely competitive banking environment. The research was an attempt to study customer service from seven different dimensions. The first three dimensions included (a) people (related to the employees and the level of services provided by them), (b) process (related to the actual policies and processes of the banks) and (c) physical evidence (including factors like IT infrastructure, ATMs, seating arrangements and parking). The objective of the next four dimensions was to measure the variance in the customer service and satisfaction levels of customers belonging to different occupations, age groups, genders & income levels. The overall customer satisfaction level was also measured. On the basis of the analysis, it can be concluded that the customer service level of the bank under study is below the expectations of their customers.

The research shows that the maximum displeasure amongst the SBI customers is related to the non-courteous and apathetic attitude of the employees and the time wasted by standing in long queues. Notwithstanding the instructions by the Goiporia Committee (1991) that the bank should open promptly at 9:30 a.m. and that the staff should reach their seats 15 minutes before the scheduled time, SBI branches often open late and the staff members are seldom seen on their seats at 9:30 am. SBI scores poorly in almost all the parameters of physical infrastructure. The customers of SBI do not hold a good perception of the ambience within branches. Many small branches do not even provide basic amenities like proper sitting arrangements and drinking water.
The research also reveals that many directives of RBI related to customer services are not being followed by the premier bank of India. For example the bank does not inform their customers about the banking codes and customer charter, neither have they displayed the procedure of customer grievances in their branches.

Further analysis of age & occupation reveals a lower satisfaction level for the customers in the age group of 60 & above or the customers in the retired occupation group.

In order to improve the customer service level of the bank it is suggested that the bank spreads awareness & knowledge about the banking products & services both amongst its customers & employees. As an aware customer is less likely to make mistakes or get duped. Development of alternate banking channel is also suggested so as to take away the load off the branches. Reducing the stress of sales on the front desk employees & appointing a specialist in the customer service desk can also help to improve the customer perception.

All in all SBI though the leading banks of India, but when it comes to customer service there is a lot to be improved before it can call itself the leader in terms of customer satisfaction and ultimately their retention.

**Appendix: State Bank of India (SBI)**

Total Customer Base Pan India- 100 million or 10, 00, 00,000 (ten crore)

Total Branches Pan India - 10,000 (ten thousand)

Average Customers per branch - 10,000 (10, 00, 00,000 / 10,000)

Branches in Lucknow - 45
Total Customer in Lucknow - \(4,50,000\) (\(45 \times 10,000\))

References


CONFERENCE REPORTS
ICMC 2014

The International Conference for Management Cases 2014 took place at Birla Institute for Management Technology (BIMTECH) on December 4\textsuperscript{th} and 5\textsuperscript{th}, 2014. This conference was again organized (with great and well-acclaimed success) by Professors GD Sardana from BIMTECH and Professor Tojo Thatchenkery of George Mason University, Virginia, USA. They were supported in full, as ever, by BIMTECH’s senior management, including especially Director and Professor Harivansh Chaturvedi and Professor Ishwar Dayal. Together, this team has made this annual event the pre-eminent case study conference in Asia and one of the leading such events in the world. One of the highlights of the event is that, each year, the management team, ably and indefatigably led by Prof. Sardana, makes available all case studies selected for presentation in the form of a published book (in recent years, in two volumes) during the conference itself, which is an astonishing achievement that has been achieved without fail since the inception of the conference and certainly since I have been attending many years ago. This year’s books were provided by Bloomsbury of India, operating out of New Delhi offices.

Keynote speakers included Professor Michael Manning from Benedictine University, Illinois and Professor David Blake Willis from Fielding Graduate University, Santa Barbara, California. Distinguished delegates came from not just India and the USA but also from Australia, Japan, the UK, Finland, Nepal, China, France and many other countries.
The case studies presented this year were of a generally good quality and an improvement on the high standards of previous years – there is still scope for improvement in the treatment of methodology and the interaction between teaching purpose and theoretical frameworks. However, as Regional Editor (Southeast Asia) for Emerald’s Emerging Market Case Study series, as well as my various other editorial duties, I can certainly observe that the same is true for submissions of case studies broadly – of course, there are all always exceptions.
As ever, the conference was very well organized and delegates enjoyed the hospitality and the opportunity to become introduced to the intricacies and joys of Indian culture. Attendant activities, such as transfers, accommodation and food and beverages, were expertly administered and this made attending a relaxing and enjoyable experience – it is not surprising that so many delegates return to the conference regularly, despite the often onerous efforts required to obtain visas, funding and other paperwork. Next year’s conference dates have already been announced (the first Thursday and Friday of December, as has become customary) and plans are already underway to ensure that the quality of service will be maintained for 2015.

I would hope that it would become possible for an Asian event to become further recognised as a leading international event for the case study approach to teaching. To do so, some more reflective and innovative approaches to the nature and pedagogy of case studies might be encouraged in future years. There is a need to combine
careful research and thoughtful teaching objectives with contemporary theoretical frameworks which is not being fully met at the present.

![Greater Noida from a Hotel Window; source: Author](image)

**Figure 3:** Greater Noida from a Hotel Window; source: Author

Greater Noida, meanwhile, has not changed very much (based on my limited observations during another brief visit). The infrastructural developments completed as a result of the Commonwealth Games in 2010, which were dramatic and astonishing, have not been continued and many local projects remain in a partially finished state, as they have been in the last couple of years. No doubt the poor are still resident but they are much less evident and, perhaps, the nouveau riche are achieving their desire for low cost service work to support their lifestyle together with the apparent aesthetic benefits of the absence of nearby poverty. If so, their desire spreads across borders.

*John Walsh, Shinawatra University*
Shinawatra University Research Centre organized an international conference on 18th and 19th of December, 2014 at the graduate campus in Bangkok with the theme of Communication in the Era of the ASEAN Economic Community. The conference attracted participants who travelled from Japan, India, Laos and Myanmar, as well as Thailand. The nationalities of paper presenters included Armenian, Australian, British, Croatian, German, Ghanaian, Indian, Myanmar, Somali, Swedish and Turkish.

The conference was graciously opened by Prof. Dr. Voradej Chandarasorn, president of Shinawatra University, who showed his commitment to the promotion of research excellence at the university.
by attending the morning session and welcoming participants personally.

During the first session, three keynote speakers presented addresses. The first was by Dr. Cornelis Reiman and it is included as the invited paper in this issue of the *SIU Journal of Management*. More details about Dr. Reiman may be found there. The second keynote address was given by Dr. Nada Matas-Runquist, who joined the conference from Vientiane, where she is a teacher, interpreter, translator and voluntary worker. She gave her advice on language acquisition and effective communications based on her extensive international experience in Europe, Asia, Tonga and Mayotte. The third keynote speaker was our own Assoc. Prof. Dr. Kantatip Sinhaneti, whose address attempted to echo a call from Peter Strevens (1977) to shift to teaching language as a communication skill in such a way that it enhances the employability of students and their awareness of cultural values and understanding of their partners in Southeast Asia.

Dr. Cornelis Reiman Delivers a Keynote Address; source: Sansanee Thongnok

After the keynote addresses, the conference proceeded over the course of two days through a series of technical sessions, in which
participants presented their research relating in different ways to the concept of communication. For example, in the first technical session on Thursday, Prof. Dr. Vutthi Bhanthumnavin spoke about efforts to educate Thai secondary school students in the realities of nuclear power plants, while Asst. Prof. Dr. Lavanchawee Sujarittanonta spoke about the communications embedded in the desserts available in Macau. Finally, doctoral candidate at Tokyo’s Rikkyo University Ms. Anna Davtyan spoke about the service sector information technologies of the Republic of Armenia and the role of that form of communications, therefore, on the economic development of that country. Other notable presentations included those from MBA student Soe Myint Than from Shinawatra University’s Mandalay campus on journalism and journalism education in Myanmar, Rushmore University’s Prof. Leif Thomas Olsen on culture’s impact on institutional cooperation and from Dr. Barnali Chetia from the Heritage Institute of technology, who addressed the issue of advertising and its use of unusual grammatical formations. A complete list of presentations is provided below and this indicates the diversity of approaches employed by academics in the various disciplines involved.

Much of the conversation around the conference focused on the future of communications and the teaching of communications in the situation of rapid environmental change brought about by the imposition of new aspects of the ASEAN Economic Community (AEC). Although many people continue to imagine that the AEC is based on the removal of restrictions on cross-border labour in some careers due to take place at the end of 2015, in fact the agreement incorporates a large number of different activities which have started to be put in operation over the last few years. In any case, the importance of English language competency and the problems attendant in achieving this in Thailand were repeated issues.

List of Presentations

English Language
Acar, Adam - Communication between Students and Professors: The Predictors of Graduation Thesis Satisfaction among Undergraduate Students

Amponstira, Fuangfa and John Walsh - Marketing Communications in the Mobile Telecommunications Industry in Cambodia

Apivantanaporn, Thanan and John Walsh - Communicating DASTA’s Low Carbon Destination Concept: The Case of Koh Mak

Aye, Nang Moh - Teachers' Reasons and Perspectives on the Use of Mother Tongue in English Language Teaching/Learning

Bediako, Eric and John Walsh - The Mediascape in the Greater Mekong Subregion

Bhanthumnavin, Duchduen and Vutthi Bhanthumnavin - Direct and Indirect Effects Teacher’s Normative Communication on the Three Components of Attitudes towards NPP in Thai High School Students

Chetia, Barnali - Grammar as We Know and Grammar as We Use - A Study of Lexical Features in Marketing Communication

Davtyan, Anna - Service Sector - Information Technologies of the Republic of Armenia

Gruenwald, Herman - Logistics Communication in the Era of the ASEAN Economic Community - A Thai Perception

Karnassadej, Akkades and Amporn Sa-ngiamwibool - Promoting Cultural Understanding through Film and Awareness-raising Instruction

Karnsopon, Venus and Amporn Sa-ngiamwibool - Virtue Education through V-Star Moral Training
Khamrin, Tuaranin - Communicating through Body Language in a Bangkok Nightclub

Khamton, Chairapha - The New Technology of Balloon Sinuplasty

Mohamed, Abdinur Ali - Measurement of Total Factor Productivity of African Agriculture Sector

Ngamsang, Sirirat and John Walsh - Communicating Chinese Power to the Greater Mekong Subregion

Ngaochay, Thanee and John Walsh - The Role of Interpersonal Communication in the Human Resource Development of a Franchise Company in Thailand

Nithisathian, Kittichok and John Walsh - Communicating the Ocean Strategy: The Case of Thai Tourism Destination Management

Olsen, Leif Thomas – Culture’s Impact on Institutional Cooperation

Pokasoowan, Chanya Wimolwan Siriwong, Tuaranin Khamrin - Factors Affecting Domestic Waste Separation at Source in Thailand

Putthithanasombat, Min and John Walsh - The Monk as Symbol in the Greater Mekong Subregion

Sa-ngiamwibool, Amporn - Enhancing Intercultural Communication of Englishes in the ASEAN Context through You Tube

Sa-ngiamwibool, Amporn - Strengthening the Skills of Professional Journalists in Conflict Reporting

Sujarittanonta, Lavanchawee - Communicating through Desserts

Than, Soe Myint - Journalism Development in Myanmar: to open media school in Mandalay
Walsh, John - Communicating Special Economic Zones to Stakeholders: Evidence from the Greater Mekong Subregion

Thai Language

บางศรี ดร.วุฒิพงศ์ พงศสุวรรณ มหาวิทยาลัยชินวัตร- การสื่อสารการท่องเที่ยวเชิงวัฒนธรรมโดยการใช้ Geo Location บนมือถือ (Geo-Location based Communication for Cultural Tourism)

Pao-In, Patsawuth - Imagic Fantasy: The Development of VFX Movies Animation

Weerathaworn, Tanawat - การสื่อสารเพื่อกิจการโต้ตอบโดยการใช้ Life style เป็นตัวเชื่อมโยง

We were also fortunate enough to receive a number of poster presentations from MBA students from Shinawatra University’s Mandalay Campus.

References


The conference proceedings were edited by the Conference Chair and are available in the form of a CD. A copy may be obtained from SIU Library Services or through the editor.

John Walsh, Conference Chair
BOOK REVIEWS
Myanmar’s Transition: Openings, Obstacles and Opportunities
Cheesman, Nick, Monique Skidmore and Trevor Wilson, eds.
Singapore: ISEAS, 2012
ISBN: 978-981-4414-16-6
XX + 374 pp.

After having been freed, at least partly, from predatory military tyranny through the 2011 elections and withdrawal from obvious political activity by senior general Than Shwe, the people of Myanmar are having to face up to the damage inflicted on their economy and society by five decades of misery and how they might begin to repair the damage. One problem they probably will not have to face is lack of advice as experts have been lining up to provide their opinions. The current book is a case in point and represents the fruit of a conference held at the Australian National University in 2011 and subsequently
published by the Institute for Southeast Asian Studies at the National University of Singapore. It includes 18 chapters, including an introductory overview by two of the editors and the keynote address by the noted and now internationally renowned historian Thant Myint-U. Other sections address political changes, economic changes, the role of the media and the rule of law, as well as the continued importance of international assistance. The papers are generally of a good standard and have been properly assembled and edited, as would be expected given the origin. On the whole, the collection represents a coherent and quite thorough exposition of the state of Myanmar.

As is perhaps inevitable, the range of disciplines from which the authors are drawn is diverse to the extent that different papers take different approaches so that there are some epistemological discrepancies. This is not unexpected, of course, since there are various ways in which the same set of phenomena could be addressed with appropriate rigor. For example, in “Myanmar’s Political Landscape Following the 2010 Elections: Starting with a Glass Nine-Tenths Empty?” Richard Horsey restricts himself to an evaluation of what activities had already taken place rather than speculating on what is to come and, thereby, run the risk of being proved wrong. He would favour evolution over revolution, noting that “Revolutions have a rather violent and unsuccessful history in Myanmar (p.50).” Nicholas Farrelly, on the other hand, takes a more capacious approach in “Ceasing Ceasefire? Kachin’s Politics beyond the Stalemates,” which builds on and draws from his D.Phil. thesis. The history of resistance by ethnic groups to the majority Burman state is complex and characterized by bitterness resulting from the nightmares of the past lying heavily on the brains of the living. This is evidently true in the current disaster overwhelming the Rohingya people, who are scarcely mentioned here so rapidly has their situation deteriorated. Farrelly lucidly explains the issues involved and the possible ways in which the future could be mapped. A third approach is provided by Tin Htut Oo (one of a number of Myanmar authors included in the book) in “Devising a New Agricultural Strategy to Enhance Myanmar’s Rural
Economy,” which is heavily normative in nature and explains exactly how, conceptually at least, to move from the current vicious cycle of agricultural development to a virtuous one. As is very often the case when considering East Asia generally, writers usually turn first to the state to take action and undervalue what might be achieved through cautious and subtle use of the private sector. Since the public sector usually lacks the resources and technical capacity to bring about the desired changes – while in Myanmar and elsewhere the state may be paralysed into inaction as a result of vested interests – it falls on the non-governmental organizations (NGOs) of civil society to intervene. Domestic NGOs are rarely as well-funded as the larger international ones and so the country becomes home to a significant foreign aid and assistance sector and this can become problematic in its own right. As Anthony Ware puts it in “Context Sensitivity by Development INGOs in Myanmar:” “On the one hand, agencies working in Myanmar face a sometimes obstructive, and often inept, authoritarian government which is suspicious of both their motives and those of international donor governments. On the other hand, aid and development resources and mandates are heavily restricted by international donors disturbed by allegations of human rights violations and concerned that satisfactory policy preconditions for macro-economic development are not in place (p.323).” Such a situation clearly has the potential to complicate social, economic and political development in Myanmar and to lead to the needless expenditure of scarce resources.

Despite the diversity of approaches evident, most if not all of the authors seem to share a set of assumptions about the future of Myanmar. These include the opinion that positive change is possible to achieve but that this will not inevitably happen and that some setbacks seem almost certainly to occur. Nevertheless, there is a sense of optimism that shines through from time to time, even if only in comparison with what has taken place in the past. There is certainly scope for hope in terms of improving economic activities, given the natural resources available, the potential for agro-industry and even
the soul-destroying entry into the age of Factory Asia. There will certainly be winners and losers in the new Myanmar.

John Walsh, Shinawatra University

Marxisms in the 21st Century: Crisis, Critique and Struggle

Williams, Michelle and Vishwas Satgar, eds.


ISBN: 978168147533

VI + 298 pp.

This book is part of the Democratic Marxisms series being published in South Africa and it bears some characteristics of its country of origin. These may be found in the large-scale industrial activities, such as mining, which produces a form of the proletariat and its intersectionality with ethnicity, gender and other personal identity issues. Attempting to address these issues alone within the context of democratic Marxism would occupy many volumes worth of space and
to add to the argument the need to define workable alternatives to the current version of democracy prevalent in most western or developed countries that has been captured by corporate interests and the representatives of the 1%, whose policies are being so relentlessly and damagingly enforced under the guise of austerity. In other countries, of course, the 1% rules through the jackboot and the corrupt judge. In any case, under these circumstances, the current book does a good job at outlining various areas of study and future consideration.

Democracy and Marxism are, of course, far from incompatible, as successful political parties under the banners of social democracy or of communism have demonstrated in Western Europe and India in particular. The Japanese Communist Party, meanwhile, continues to poll respectably well while still calling for radical changes in social structure and the economy. Marxism, at its most reductionist level, is based on the principle of historical materialism, which explains historical change through the constant conflict between the classes and the hope that this struggle will ultimately result in the defeat of capitalism and the ascension to power of the working classes. It was Lenin and his supporters who added to Marxism the need to bring about a revolution in the short-term, through force if necessary and with the Communist Party at the vanguard of such change. There are Marxists who are perfectly willing to work with parliamentary systems and to offer an ideological alternative to the prevailing neoliberal paradigm. Others used Marxism as part of the anti-colonialist struggle and, in the face of adversity, has reverted to the “... scientific, dogmatic, Marxism-cum-Soviet communism of the twentieth century (p.3),” which editor Michelle Williams compares with the many movements to be found around the world which work in the tradition of a Marxism which “... is not dogmatic or prescriptive; rather, it is open, searching, dialectical, humanist, utopian and inspirational. Central to these movements is the

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6 A whole freight of cultural, social, political, religious and ideological superstructure rests on this basis.
importance of radical, direct and participatory democracy in forging an alternative to and an appreciation of the limits of fossil-fuel capitalism (p.3).”

In a second chapter, “Marxism and Democracy: Liberal, Vanguard or Direct?” (pp.16-33), Williams takes as inspiration the movements in Brazil and Kerala in India to consider different types of democracy to the existing parliamentary forms and the need to ensure that any meaningful form of political democracy must be accompanied by economic democracy, particularly with respect to the workplace wherein workers must have responsibility for distributing surpluses and having responsibility for control of the relations of production. This chapter is followed by two fascinating contributions concerning the work of Polanyi and Gramsci and how these should be taken into account for future policy. Michael Burawoy, in “Marxism after Polanyi (pp.34-52),” considers the nature of the great transformation (or several transformations, according to his argument) in the context of Southern Africa and he outlines the common experiences of workers worldwide experiencing similar results of globalization under the conditions of uneven development. This is third wave Marxism, which “… constructs socialism piecemeal as an archipelago of real utopias that stretch across the world, attracting to themselves populations made ever more precarious by third-wave marketization.” This passage indicates the dual nature of the paper and, indeed, of the book as a whole, which is to use the learning of the past to address contemporary circumstances which it would be easy to construe as being wholly different and subject, therefore, to different principles and policies. As Burawoy continues, “The Marxist becomes an archaeologist digging up alternative spawned and wrecked by the storms of capitalism and state socialism (p.50).” From a tactical perspective, it would appear to be had to construct attractive manifestoes relying on political archaeology in a digital world, no matter how necessary that may be.
When it comes to tactical politics within the Marxist tradition, no scholar has been as influential as Gramsci, as Eric Hobsbawm observed (2011: 314-33). In “Transnational Gramscian Marxism (pp.53-81),” Vishwas Satgar outlines a particular understanding of Gramscian thought before identifying three forces in the contemporary world that can be isolated as particularly important in a neo-Gramscian ideological framework: global restructuring of capitalism; transnational class forces and transnational neoliberalism and the role of transnational capital.7 He then continues to describe South Africa’s post-apartheid condition, within the context of these global forces to be a form of passive revolution. That is, it is a situation that derives from these two conditions:

1. That no social formation disappears as long as the productive forces which have developed within it still find room for further forward movement.

2. That a society does not set itself tasks for whose solution the necessary conditions have not already been incubated (Gramsci, 1998: 106-7).

Satgar considers this passive revolution in South African terms but it is instructive to think about transnational Gramscian thought and its application closer to home.

The book contains papers that deal with other vital elements of contemporary politics, including the relationship between Marxism and feminism and with the need to find alternatives to fossil-fuel capitalism, as well as issues more specifically related to South and Southern Africa. It represents overall an interesting and useful contribution to the attempt to formulate meaningful alternatives to existing capitalism.

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7 For a not wholly successful attempt to apply a neo-Gramscian framework to a specific context in the present day, see Walsh and Southiseng (2014).
References


The New Indian Middle Class: The Challenge of 2014 and Beyond

Pavan K. Varma


ISBN: 978-93-5136-251-7
The emergence of a significantly sized middle class in a developing country is considered to be a positive outcome – after all, these are people who have been helped out of poverty and, so it is widely assumed, they will represent a force for political and social stability because they have a great deal to lose and so are less likely to be drawn to radical political positions. This is not always exactly the case and the case of India is a germane one in this respect. Author Pavan K. Varma explores the positive and the negative aspects of the new middle class in what is often described as the “world’s largest democracy.” He begins by describing the formation of the class, from its incipient form in relationship with the British colonial state to its gradual growth through the incorporation of “… millions of shopkeepers, small-time entrepreneurs, semi-skilled industrial and service workers and lower-level salaried households with a small disposable income (p.5)” They were supplemented by the “bullock capitalists,” who were the rural farmers able to derive income from new market linkages, while taking advantage of government subsidies to the agricultural sector. However, it was the 1991 reforms that saw India, in the wake of the post-Soviet states, enter the market capitalism system and subsequently take advantage of the Non-Inflationary Continual Expansion (NICE) era that was brought to a dramatic end by the reckless and under-regulated finance industries that brought the world into a global economic crisis, first in 1997 and again in 2008. The Indian middle class – the actual size of which varies considerably depending on the definition employed – has subsequently developed enormously as a result of the revolution in communications that has seen millions of subscribers join telephone systems and, now, social media networks in unprecedented numbers. This has had a particularly helpful effect in an Indian society that has been so disfigured and crippled by the caste system. For many in the middle classes, the social distinctions based on caste, ethnicity, religion and geography have (at least to some extent) been dissolved by the entry into the capitalist world. Alas, those distinctions remain
strongly in place when it comes to the other – those who have remained poor for one reason or another and for whom the nouveau riche can have little but contempt, mistaking their own luck and diligence for some form of virtue. This was evident in India in the wake of Indira Gandhi’s issuing of emergency decree restrictions and the following crackdown on civil rights that saw the final death of ideology in politics in the era following Gandhiji and those of his generation. Symbolically and indeed in reality, this was most clearly demonstrated in Varma’s argument by Sanjay Gandhi’s campaign against large family sizes among poor people. ‘Overpopulation’ by the poor was then the central, simplistic idea being held up for India’s economic and social ills and so in a repressive environment, Sanjay’s forcible use of vasectomy quotas was lauded by the middle classes as a necessary step towards a higher level of development (except when one of their own fell foul of those same quotas and was obliged to sacrifice his future progeny). This, as Varma argues, is part of the negative aspect of the emergent middle classes: their level of social solidarity has increased and improved, as the examples of campaigns to protest about the rape and murder of a young woman in New Delhi in 2012 indicated since it led to a wider movement concerning the safety of women nationwide but it has only encompassed their own class. There is a willingness to ignore the plight of others as if they did not exist and to seek simplistic solutions to complex situations and expect messianic figures to emerge to fix all problems by virtue of his (conceivably her but not in practice) overwhelming personal virtue. These views are held in common with nationalism, ultra-nationalism (including the desire in some cases for ethnic cleansing and for wars with neighbouring states) and the essentialism that claims India, Indians and Indianness are unique phenomena and cannot be understood by other people.

Author Varma has an impressively long list of publications and an extensive career including his present job (according to the blurb) as cabinet minister and cultural adviser in the state of Bihar. He wrote this linked series of essays in the run-up to 2014’s general election. As
such, there is clearly a political motivation to the book which obtrudes from time to time but, in general, this is a fascinating approach to the study of India’s middle class which, in the absence of hypotheses, theoretical frameworks, sources, citations and all the other academic apparatus, will be of interest to the general public and those with an interest in India or in the emergence of middle class and changing class structures. No doubt the author will be bringing out subsequent analyses in due course.
CALL FOR PAPERS

The SIU Journal of Management (ISSN 2229-09944) is now accepting submissions for biannual publication, with issues scheduled to be published in June and December of each year. Volume 4, No.1 will be published in June, 2014.

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Historical Background

The idea of establishing a private university to support private sector development in Thailand and the region was initiated in 1996 by Dr. Thaksin Shinawatra and Professor Dr. Purachai Piumsombun. This was followed by the design development of an environmentally friendly campus by Dr. Soontorn Boonyatikarn in 1997. A year later, the innovative plans were presented to Her Royal Highness Princess Mahachakri Sirindhorn, and then to the Ministry of Universities which granted the license for operation towards the end of 1999. The first Shinawatra University Council Meeting was held on May 19th, 2000, marking the initial milestone of the long road to becoming an accomplished private university. In September 2002, the first batch of students was admitted, and the venture of creating and nurturing a prospective university had begun.
Coat of Arms

The University’s coat of arms represents the sun, which symbolizes the source of knowledge. It radiates an abundance of ingenuity and innovation through research. It contributes to the foundations of learning including ethical, moral, physical, and religious aspects.

Key Performance Indicators

- 100% graduate employment with very high average salaries.
- Top 10% of all higher education institutes accredited by The Office for National Education Standards and Quality Assessment (Public Organization) ONESQA.
- Ranked 2nd by ONESQA among private higher education institutions in Thailand.
- Education Standards of SIU and all its schools in 2006 were unconditionally approved by ONESQA.
- Faculty members with leading research performance as assessed by Thailand Research Fund (TRF).
- Over 70% of faculty members with doctoral degrees and 60% hold academic rank position.
- Prestigious TRF Royal Golden Jubilee PhD Scholarships awarded to 20% of faculty members.
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- More than 50% are graduate students.
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