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Editorial

We would like to take this opportunity to thank all the authors for their contribution of scholarly articles. A comprehensive review process was applied for selecting the articles for final publication. We hope to receive quality research articles in future issues of this journal. SOMTU Journal of Business and Management Research, School of Management, Tribhuvan University, aims to promote research communication and exchange between the scholars, researchers, universities and academic institutions and providing common platform for research paper publications.

We would like to take this opportunity to thank current editorial board members for their ongoing commitment to the standards to which the journal aspires.

We look forward to work with all of you as we continue to make SOMTU Journal of Business and Management Research a success and we welcome your submissions, as well as feedback as authors, readers, and reviewers of the journal.

Prof. Mahananda Chalise, Ph. D

Editor-in-Chief

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Factors Affecting Retirement Confidence Among Workers' Working in Nepalese Private Sector

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Abstract

This study aims to examine the factors affecting retirement confidence among workers' working in Nepalese private sector. Pre-retirement plan of working employees nearing to retirement was also assessed. A sample of 155 respondents participated in this study. This study applied Pearson Correlation analysis to determine the relationship between the variables. The findings reveal that retirement confidence is positively correlated with financial management practices, saving behavior, financial knowledge and literacy and attitude towards retirement. Furthermore, multiple regression analysis was applied to determine the predictors of retirement confidence. This study concludes that financial literacy, saving behaviour, financial management, and financial status are significant predictors of retirement confidence among working individuals nearing to retirement, with financial management as the major factor contributing towards retirement confidence. Deposit in saving account was the most preferred area of investment done for regular income and capital preservation. The findings of this study have practical implications for financial advisors in helping working individuals to be more aware of their future retirement life financial needs and to prevent financial crisis in later years.

Keywords: financial management, saving behavior, financial literacy, retirement confidence, pre-retirement plan

Introduction

Retirement is defined as a stage where an individual will permanently leave his/her workplace. After the withdrawal from workplace, the retiree will not receive any official income during their retired life. A finding by Bosworth and Bruke (2012) showed the major source of income during retirement are savings, social support and pensions. Thus, proper retirement preparation during pre-retirement stage is highly needed to increase the confidence regarding post-retirement life. Preparing for future is a complex process as it requires wide financial knowledge and resources (Lusardi & Mitchell, 2006). A proper retirement preparation includes several practices such as preparing a spending list during retirement phases and saving for retirement funds. Poor retirement preparation would increase the risk for pre-retirees to suffer from poor economic well-being in later years (Bender, 2012). Failure in proper retirement preparation would lead to insufficient retirement source during retirement.

Pre-retirees with proper retirement preparation tend to be more confident in having a secured retirement life, which could be described in terms of retirement confidence (Joo & Pauwels, 2002). Retirement confidence is a concept which includes the views and attitudes towards retirement, the preparations for retirement, and the confidence with regard to various aspect of retirement (Kim, Kwon, & Anderson, 2005). Pre-retirees who are actively involved in retirement planning are more likely to display positive retirement confidence. In other words, pre-retirees with high retirement confidence are those who believe that they are well prepared for their upcoming retirement. They are confident with their accumulated funds to be sufficient for them to have a healthy life style during retirement years. Conversely, those with low retirement confidence tend to have doubt and anxiety on the adequacy of their accumulated retirement funds.

Retirement confidence is affected by retirement planning behavior. Retirement planning requires further attention because it is the period where retirees do not have regular monthly pay checks and have to depend on return from investments. It is important to access the retirement confidence among working employees as it helps to show how confident they are regarding their post-retirement life. With the increasing concerns regarding retirement issues among the general public, individuals' retirement confidence in private sector is worth studying because it is affected by retirement preparedness and also affects retirement planning behavior.

Statement of the problem

DiVito and Pospiech (2012) posit that as individual approach retirement, the question whether they are financially prepared becomes top of mind. These doubts may be fuelled by several factors, such as employers moving away from offering the traditional defined benefit plan (pension plan) and the potential for social security benefits being decreased, all of which are shifting the responsibility to individuals to save for their own retirement. Grossbard and Pereira (2010) have indicated that many individuals may not have sufficient resources to maintain their financial independence during their retirement. Private sector have emerged as the major employers that are driven by market based resource allocation with almost absent pension systems which make individuals vulnerable to the dynamic environment. The private sector employee constitutes majority of Nepal's working population who are far from the realm of a state run pension framework. There is virtually no government sponsored social security for the non public and organized sector leaving them vulnerable. Thus it is important to identify the factors that affect retirement confidence of private organization employees. It is also important to analyze the saving and investment plan of employees to see how they prepare themselves for post-retirement life.

From the existing literature, several factors have been identified as the determinant of retirement confidence such as age, education, income level, attitude towards retirement, workplace financial education, proximity to retirement, retirement fund calculation, money

adequacy, financial literacy, saving attitude, financial management practices, and attitude towards retirement (Li, Montatlo, & Geistfeld, 1996; Joo & Pauwels, 2002; Kim, Kwon, & Anderson, 2005; Jeun & Sabri, 2014). Nonetheless, it is notable that many studies were conducted in western countries. Joo and Pauwels (2002) and Kim, Kwon and Anderson (2005) conducted their studies in United States. More effort should be given to Nepalese context due to significant cultural differences between Nepal and western countries. Further research is needed to be conducted in Nepalese context to understand the factors that influence retirement confidence among employees of private sector. Hence, the present study aims to study how several factors can give impacts on retirement confidence among employees working in private sector, which includes individual characteristics (gender, education and income level), financial management practices, saving behavior, financial knowledge and literacy and attitude towards retirement. This study has focused on assessing the factors affecting workers retirement confidence and leads to following study questions.

- What are the various determinants that affect retirement confidence of employees working in private sector?
- What employees have planned regarding saving and investment for their retirement?
- Is there any association between demographic variables and retirement confidence?
- Is there any relationship between financial management practices, saving behavior, financial knowledge and literacy and attitude towards retirement and retirement confidence?

Objectives of the study

The primary objective of the study is to access the factors affecting retirement confidence among worker's working in Nepalese private sector. The specific objectives are:

1. To examine the role of demographic variables in retirement confidence of working employees nearing to retirement.
2. To examine the plan of employees regarding saving and investment prior to retirement.
3. To evaluate the association between financial management practices, saving behavior, financial knowledge and literacy and attitude towards retirement and retirement confidence.

Theoretical framework

Based on the literature review, this study will use the conceptual framework used by Jeun and Sabri (2014) and Joo and Pauwels (2002). This study posits that financial management practices, saving behavior, financial knowledge and literacy, and attitude towards retirement influence the retirement confidence of workers working in Nepalese private sector. In addition, this study will examine the influence of moderating variables like gender,

education level and income on retirement confidence. The model presented in this study involves direct relationship between retirement confidence and each of the individually hypothesized influence on those decisions as depicted in Figure 1.

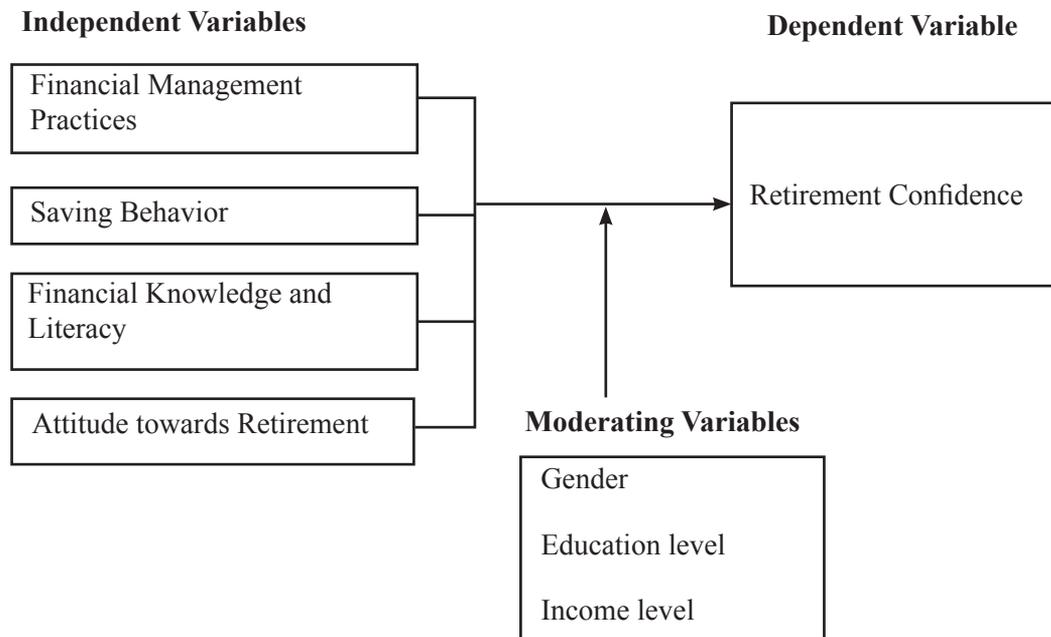


Figure 1 Conceptual model of retirement confidence

The independent variables for the study are financial management practices, saving behavior, financial knowledge and literacy, and attitude towards retirement and dependent variable is retirement confidence.

Hypotheses development

Based on the literature review, following hypotheses have been developed.

H1: There is an significant association between gender and retirement confidence of working employees.

H2: There is an association between education level and retirement confidence.

H3: There is an association between income level and retirement confidence.

H4: There is significant relationship between financial management practices and retirement confidence.

H5: There is significant relationship between saving behavior and retirement confidence.

H6: There is significant relationship between financial knowledge and literacy and retirement confidence.

H7: There is significant relationship between attitude towards retirement and retirement confidence.

Literature of the study

Retirement confidence

Several studies have been done to address claim related to retirement preparedness and retirement confidence. A study by Yuh, Montatlo and Hanna (1998) showed that half of households will not have adequate resources to retire as planned because of declining individual savings, uncertainty about social security, and increases in health care costs and the cost of living. Kim, Kwon and Anderson (2005) showed that the level of confidence will increase with the higher household income provided that they are with better health and received workplace financial education. This is supported by Power and Hira (2004), working employees having confidence in government programs such as Social Security and Medicare, receiving financial advice regarding retirement issues had higher level of retirement confidence than others. Factors affecting male and female workers retirement confidence in the US were investigated by Joo and Pauwels (2002). Moorthy et al. (2012) in his study found age, education level and income level to be significant predictor of retirement planning behavior along with goal clarity, attitude towards retirement and potential conflict in retirement. The declining trend of retirement confidence has attracted the attentions of researchers. Various studies have been conducted in unique contexts to identify the root cause of the phenomenon (Lee and Law , 2004; Shanmugam and Abidin, 2013; Chauhan and Indrapukar, 2017; Jeun and Sabri, 2014). The following sections will review briefly the factors that will affect retirement confidence based on past literature, namely financial management, saving behavior, financial knowledge and literacy, and attitude towards retirement.

Financial management practices

Healthy financial management is expected to promote higher retirement confidence (Kim, Kwon, & Anderson, 2005). People who implement financial management in daily life tend to display more positive retirement confidence. Based on a study by Kim, Garman and Quach (2005), good financial management practices by an individual eventually will create positive influence towards retirement confidence. Furthermore, according to Loibl and Hira (2005), indicated that financial management practices are highly associated with financial wellness of people. In addition, those individuals who are involved in responsible financial management practices will have lower level of financial difficulties in post-retirement period (Joo and Grable, 2005; Lea et al, 1995; Dowling et al, 2009).

Saving Behavior

Many people view savings as the major source of retirement funds (Russell & Stranoski, 2011). Those who do not save are generally expected to be in employment after retirement and depend on social security during their golden years, which may lead to poor retirement satisfaction (Russell & Stranoski, 2011). Thus, the direct relationship between saving and retirement confidence is clear (Helman et al. 2013). Further in his study Russell and Stranoski (2011) states that those who save for retirement are more prepared for retirement than those who saves for other purposes. Individuals who have calculated their retirement fund needs tend to have higher retirement confidence (Kim, Kwon, & Anderson, 2005).

Financial Literacy

Lusardi & Mitchell (2006) in their article revealed that financial literacy and retirement confidence are highly correlated. The study further emphasized that pre-retirees having sound financial knowledge involve in making planning for future. The planning and preparedness for future will increase the retirement security and retirement confidence. Lusardi, Mitchell and Curto (2010) found that people with low financial literacy are less likely to accumulate wealth and less likely to plan for retirement. Financial knowledge and literacy has been found to be an important determinant of retirement savings decision (Hershey & Mowen, 2000; Hershey & Walsh, 2001; Jacobs-Lawson & Hershey, 2005; Bernheim & Daniel, 2003). This evidence has been supported by Lusardi and Mitchell (2006) who opined that individuals with more knowledge about finance and planning are more likely to plan for retirement. Empirical studies have demonstrated that exposure to financial education programs positively influence the retirement planning and savings behavior of individuals (Ntalianis & Wise, 2011).

Attitude towards retirement

From the perspective of retirement confidence, attitude is an important factor which influences the behavior of an individual in facing his or her retirement life. In a study by Lim V. (2003) found that senior workers are uncertain in facing retirement life and are willing to extend the employment even at the old age. Furthermore, according to Franca (2004), executives in New Zealand and Brazil were displaying positive attitude in retirement towards leisure, cultural and investment activities which correlates with financial and health status. In the context of Malaysia, Folk, Beh and Baranovich (2012) indicated that individuals show positive attitude towards retirement with condition of expected income to be high.

Demographics

Previous literatures on retirement preparedness and confidence focused on studies to identify the relationship between socio-demographic factors to be related with retirement planning

and preparedness (Joo & Garman, 1998; Lee & Law, 2004; DeVaney, 1995; Yakoboski & Dickemper, 1997). Age, gender, marital status, number of financial dependents, income level and education level were emphasized as important factors for one's behavior towards retirement preparedness and retirement confidence.

Research Method

Research design

The study is based on the descriptive, analytical and casual comparative study design. Casual comparative design helps to determine the impact of independent variables on retirement confidence. The current study employs a questionnaire-based survey as the main method of data collection.

Population and sample

The target respondents for this study comprised of all the employees working in Nepalese private sector belonging to age 50 years and more. Total population above age of 50 or sooner getting retired in near future is not known. Therefore, to determine the sample size of unknown population, rule of thumb proposed by Roscoe (1975) is used. Following this rule, 180 questionnaires were distributed to the respondents within Kathmandu valley. 155 was received with a response rate of 86.11 percent. 84 responses were collected from service sector, 35 from manufacturing and 34 from trade sector respectively.

Instrumentation

The data for the study is collected through close ended questionnaire. The questionnaire was prepared based on the study conducted by Jeun and Sabri (2014), Moorthy et al. (2012), and Bhatta (2016). The questions relevant in the context of Nepal had been selected in the study. Questionnaire regarding the pre-retirement plan has been adopted from the study conducted by Bhatta (2016) and the questionnaire regarding factors affecting retirement confidence has been adopted from Jeun and Sabri (2014) and Moorthy et al. (2012). The questionnaire in the study contains 11 questions and is divided into seven sub-sections.

Reliability and validity

Cronbach's alpha for each variables were calculated to measure the internal consistency. Table 1 shows the overall alpha for each subscale is more than 0.6, which indicates fair degree of reliability. The questionnaire was pre tested by taking response from 30 respondents and expert opinion was also considered. The questionnaires were distributed after ensuring the correct reliabilities.

Table 1
Reliability analysis

Variables	Number of items	Cronbach's Alpha
Financial management practices	5	0.783
Saving behavior	4	0.701
Financial knowledge and literacy	5	0.854
Attitude towards retirement	4	0.885
Retirement confidence	4	0.827

Methods of Analysis

To fulfill the objective of the study the data are analyzed through statistical tools. The study was analyzed based on three main type of analysis. Chi-Square was used for dependent variable and demographic variables. Correlation analysis was done to depict the association of independent variables with retirement confidence. Lastly, multiple regression was done on the dependent variable, regressed on four independent variables, namely financial management practices, saving behavior, financial knowledge and literacy, and attitude towards retirement.

The Model

The proposed regression model for the study of relationship between independent variable and retirement confidence is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e \dots \dots \dots (i)$$

This regression was further regressed with retirement confidence by inserting each demographic variables and independent variables as shown in model 2, 3 and 4. And further, all the independent variables with moderating variables are regressed with retirement confidence.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e \dots \dots \dots (ii)$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_6 X_6 + e \dots \dots \dots (iii)$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_7 X_7 + e \dots \dots \dots (iv)$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + e \dots \dots \dots (v)$$

β_0, β_1 = Regression coefficient

Y = Retirement confidence

X1= Financial management practices

X2= Saving behavior

X3= Financial knowledge and literacy

X4= Attitude towards retirement

X5= Gender

X6= Education level

X7= Income level

Result and discussion

Respondents demographic characteristics

Table 2 shows the frequency and percentage of different demographic characteristics of 155 respondents. The study comprises of 60.4% of male and remaining are female.

Table 2

Respondents demographic profile

Characteristics		Frequency	Percentage
Gender	Male	94	60.6
	Female	61	39.4
Educational Qualification	SLC	16	10.3
	Intermediate	22	14.2
	Bachelors	54	34.8
	Masters & Above	63	40.6
Income Level	Below 50,000	69	44.5
	50,001-1,00,000	34	21.9
	1,00,001-1,50,000	28	18.1
	1,50,001-2,00,000	14	9
	2,00,000 & above	10	6.5
Nature of Organization	Service	86	55.5
	Manufacturing	35	22.6
	Trade	34	21.9

Likewise the educational qualification profile shows that most respondents have a degree of masters and above followed by bachelor degree (34.8%) and intermediate degree (14.2%). This shows that most of the respondents considered holds qualification of master degree and above. Similarly, significant number of workers earns less than Rs. 50,000. Only 6.5% respondents earn above Rs 2,00,000 and above. This indicates that the income level is highly unequal among workers working in private organizations. The study shows that majority of respondents are currently working in service sector. Remaining respondents are associated with manufacturing and service sector.

Pre-retirement saving and investment plan

Multiple choice questions were asked to respondents about their portfolio in different sectors. Table 3 illustrate about different investment areas that respondents invest their saving for their future.

Table 3

Respondent's most preferred area of investment before retirement

Investment areas	No. of respondents saying Yes	Rank
Saving accounts	96 (61.95%)	1
Stock market	78 (50.32%)	2
Loan to others	72 (46.45%)	3
Fixed time deposits	65 (41.94%)	4
Buy gold	57 (36.77%)	5
Mutual funds	49 (31.61%)	6
Buy insurance policy	48 (30.97%)	7
Share on SME's	47 (30.32%)	8
Buy bonds and debentures	41 (26.45%)	9
Real Estate	40 (25.80%)	10

Note: the sum of percentage is greater than 100 because of multiple choice question

Respondents were asked to provide their response regarding their investment of major portion of current income. According to this study, 61.95 % of respondents invest their current income in savings account. It is found that 50.32% of respondents invest their income in stock market and is followed by loan to others with 46.45%. Fourth largest investment sector is fixed time deposits in which 65 (41.94%) respondents invested. Similarly, investment in gold, mutual funds, insurance policy, share in SME's, bonds and debentures and real estate are ranked in fifth, sixth, seventh, eighth and tenth position respectively regarding the investment of current income level.

Table 4

Responses to considerable factors for choosing retirement saving investment area

Reason to choose the investment plan	No. of respondents saying Yes	Rank
Regular income	126 (81.29%)	1
Capital preservation	95 (61.29%)	2
Risk diversification	69 (44.51%)	3
Growth	65 (41.94%)	4
Earnings per share	53 (34.19%)	5
Capital appreciation	52 (33.55%)	6

Respondents were asked about the reasons for choosing the saving investment area. The saving and investment they have made is to overcome the need and necessity for life after retirement. Therefore respondents might have chosen regular income as the most considerable factor followed by capital preservation as reflected in Table 4. Risk diversification and growth factors were considered by 69 respondents and 65 respondents respectively. 34.19% of respondents consider earnings per share while making pre-retirement saving investment plan. Only 52 respondents consider capital appreciation while choosing retirement saving investment area.

Retirement confidence

Table 5 shows the retirement confidence of the respondents. 28.4% of the respondents answered that they are very confident in having enough money to live comfortably during their future retirement life. They believed that they would be able to maintain their pre-retirement lifestyle even after retirement. With regards to financial planning, 38.7% of the respondents noted that they were somewhat confident in their ability to prepare financially for retirement. Only 10.97% of respondents were found to be very confident about having enough money to support throughout their remaining life. Moreover, 31.6% of respondents felt that they had enough financial funds for medical expenses during their retirement. It means respondents had the confidence that they can pay for the unforeseen medical expenses. The overall mean score shows that respondents are moderately confident about life after retirement.

Table 5

Responses to retirement confidence

How confident are you that	Mean	Very Confident	Somewhat Confident	Not too Confident	Not at all Confident
Have enough money to live comfortably throughout your retirement years?	2.94	44(28.4%)	66(42.5%)	37(23.8%)	8(5.2%)
You are doing a good job of preparing financially for your retirement?	2.73	34(21.9%)	60(38.7%)	46(29.7%)	15(9.7%)
You will have enough money to support yourself in retirement, no matter how long you live?	2.53	17(10.97%)	66(42.5%)	54(34.8%)	18(32.7%)
You will have enough money to take care of your medical expenses when you retire?	2.79	49(31.6%)	51(32.9%)	28(18.06%)	27(17.4%)
Average	2.75				

Retirement confidence and respondents' characteristics

The demographic variables considered under this study are gender, education level and income level. This analysis has attempted to analyze the association between dependent variables with moderating variables using Chi-Square test. To use the Chi-Square test, the dependent variable was categorized. The average of retirement confidence mean was calculated and then categories has been formed. Mean score ranging from one to four has been categorized into three group as 1-2 (low), 2-3 (moderately confident) and 3-4 (highly confident).

Gender

The Chi-Square analysis has been done to measure the association of the dependent variables with gender as a moderating variables and the results are presented in Table 6.

Table 6

Chi-Square test for retirement confidence with gender

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	22.896 ^a	2	0.000
Likelihood Ratio	23.894	2	0.000
Linear-by-Linear Association	22.661	1	0.000
N of Valid Cases	155		

Table 6 shows that Pearson Chi-Square of gender is 22.896 with p-value 0.000. It indicates that there is an association between retirement confidence and gender. Gender makes an impact in retirement confidence level.

Monthly education level

The Chi-Square analysis has been done to measure the association of the dependent variables with education level as moderating variables and the result are presented in Table 7.

Table 7

One way ANOVA for retirement confidence with education level

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	58.286 ^a	6	0.000
Likelihood Ratio	58.070	6	0.000
Linear-by-Linear Association	47.497	1	0.000
N of Valid Cases	155		

Since p-value is less than 0.05 i.e. 0.000, there is significant association between retirement confidence and education level. Education makes an impact on working employees retirement confidence.

Monthly income level

The Chi-Square test has been done to measure the association of the dependent variables with monthly income level as moderating variables and the result are presented in table 8.

Table 8

Chi-Square test for retirement confidence with income level

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	52.766 ^a	8	0.000
Likelihood Ratio	61.226	8	0.000
Linear-by-Linear Association	44.532	1	0.000
N of Valid Cases	155		

The p-value is less than 0.05 i.e. 0.00 which indicates that monthly income level has significant association with retirement confidence. Monthly income level has significant impact on retirement confidence of workers working in Nepalese private organizations.

Relationship between retirement confidence and factors affecting it

Pearson correlation analysis was used to determine the relationship between financial management practices, saving behavior, financial knowledge and literacy, attitude towards retirement and retirement confidence. The results of Pearson correlation analysis for the present study are displayed in Table 9.

Table 9

Pearson's correlation matrix

	Financial Management	Saving Behavior	Fin. Knowledge & Literacy	Attitude towards retirement
Financial Management				
Saving behavior	.659** (0.000)			
Fin. knowledge & Literacy	.557** (0.000)	.511** (0.000)		
Attitude towards retirement	.625** (0.000)	.558** (0.000)	.652** (0.000)	
Retirement Confidence	.711** (0.000)	.521** (0.000)	.647** (0.000)	.721** (0.000)

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

The results indicated that all independent variables were significantly correlated with retirement confidence at 1% level. The Pearson coefficient (r) value for financial management practices and retirement confidence was 0.711 at 0.01 level of significance. This shows a positive correlation between these two variables, indicating that the higher the financial management practice, the higher the retirement confidence. The Pearson coefficient (r) value for saving behavior and retirement confidence was 0.521 with the value of significant r (2-tailed), $p = 0.000$. It indicates there is a significant correlation between saving behaviour and retirement confidence. The positive correlation between these two variables shows that there is a positive relationship between positive saving behavior and retirement confidence.

Similarly, the Pearson coefficient (r) value for financial knowledge and literacy and retirement confidence was 0.647 with the value of significant r (2-tailed), $p = .000$. This shows there exists a significant correlation between financial knowledge and literacy and retirement confidence. The positive correlation between these two variables indicates that the higher the financial literacy, the higher the retirement confidence.

As expected there exist positive relationship between attitude towards retirement and retirement confidence at 0.01 level of significance with $r = 0.721$. It indicates that when attitude towards retirement is positive, retirement confidence level increases. With attitude towards retirement being positive, retirement planning becomes rational and thus retirement confidence rises.

Measuring effects of independent variables on retirement confidence

Multiple regression analysis was used to determine the significant predictors for retirement confidence among worker's working in the private sector. The independent variables financial management practices, saving behavior, financial knowledge and literacy and attitude towards retirement are regressed with dependent variables i.e. retirement confidence under influence of moderating variables i.e. gender, educational level, and income level. The results of multiple regressions for present study are displayed in Table 10. The table shows that p-value in each model is less than 0.05 at 1% level of significance, there is much evidence to infer that these models are useful. These all regression model fitted is useful in predicting the value of the dependent variable for given value of independent variables within the range of the values of the independent variables in the sample data.

The p-value for all independent variables (financial management practices, saving behavior, financial knowledge and literacy and attitude towards retirement) is less than 0.05. So there is the impact of financial management practices, saving behavior, financial knowledge and literacy and attitude towards retirement on retirement confidence. As expected, worker's with positive attitude towards retirement tend to be more confident of their financial preparedness for retirement. Practising financial management is positively related to

retirement confidence. Similarly, the result also indicated that gender, education level and income level have an impact on retirement confidence.

Table 10

OLS regression results of retirement confidence as a dependent variable

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
Financial Management Practices	0.377** (0.000)	0.350** (0.000)	0.318** (0.000)	0.320** (0.000)	0.257** (0.000)
Saving Behavior	0.128** (0.000)	0.132** (0.000)	0.129** (0.000)	0.0.112** (0.000)	0.128** (0.000)
Financial knowledge and literacy	0.201** (0.001)	0.163** (0.009)	0.177** (0.004)	0.161** (0.009)	0.111** (0.043)
Attitude towards retirement	0.262** (0.000)	0.249** (0.000)	0.236** (0.000)	0.232** (0.000)	0.204** (0.000)
Gender		-0.207** (0.010)			0.096** (0.007)
Education level			0.114** (0.034)		0.087** (0.019)
Income level				0.116** (0.002)	-0.214** (0.012)
R square	0.657	0.671	0.667	0.678	0.697
F	71.771 (0.000)	60.905 (0.000)	59.641 (0.000)	62.787 (0.000)	48.406 (0.000)

** Significant at the 0.01 level (2-tailed)

The model 1 without moderating variable has R square = 0.657 which shows that independent variables are able to explain 65.7% of dependent variables. The R square ranges from 65.7% to 69.7%. In model 5, R square is 0.697, which means that the independent variable are able to explain 69.7% of variability in dependent variable. Higher the value of correlation coefficient, higher will be the percentage of variation explained. Similarly, unstandardized coefficient for financial management practices is 0.320 which means that when other independent variables are kept constant, 1% change in financial management practices will lead to 0.320% change in retirement confidence in same direction.

F value gives power to judge whether the relationship is statistically significant or not. Here the p-value for F in each model is 0.000 with 0.01 level of significance and is explained in table 10. Therefore, the study concludes that regression has explanatory power and each independent variables affect the retirement confidence of working employees.

4.7 Test of the hypotheses

Table 11

Test of the hypotheses

Hypotheses	Testing method	Result
H1: There is an association between gender and retirement confidence of working employees	Chi-Square	Accepted
H2: There is an association between educational qualification and retirement confidence	Chi-Square	Accepted
H3: There is an association between income level and retirement confidence.	Chi-Square	Accepted
H4: There is significant relationship between financial management practices and retirement confidence	Correlation	Accepted
H5: There is significant relationship between saving behavior and retirement confidence.	Correlation	Accepted
H6: There is significant relationship between financial knowledge and literacy and retirement confidence.	Correlation	Accepted
H7: There is significant relationship between attitude towards retirement and retirement confidence.	Correlation	Accepted

Discussion, conclusion and implications

Discussion

The result from the correlation analysis suggests that there exists positive relationship between financial management practices and retirement confidence. The result is consistent with the result of several studies (Dowling, Tim, & Hoiles, 2009; Hira, 2009; Jeun & Sabri, 2014). The positive correlation between these variables indicates that higher the financial management practices adopted by individuals, the higher will be the retirement confidence. Further the findings of the study confirms that saving behavior is positively related with the retirement confidence of working individual. It was found that individuals who has positive saving behaviour and save regularly will have higher retirement confidence (Kim, Kwon, & Anderson, 2005; Jeun & Sabri, 2014; Hong, Sung, & Kim, 2009). The positive correlation between these two variables shows that there is a positive relationship between saving behavior and retirement confidence. The result is consistent with past research conducted by Kim, Kwon, and Anderson (2005). Retirement confidence was also evaluated with regards to financial knowledge and literacy. The result reveals that the respondents are fairly knowledgeable about financial and investment concept. Financial knowledge and literacy is significantly correlated with retirement confidence. The positive correlation between

these two variables indicates that the higher the financial knowledge and literacy, the higher the retirement confidence. This result supports the findings of past studies (Lusardi, Mitchell, & Curto, 2010; Mullock & Turcotte, 2012). The finding of the study confirms that respondents had positive attitude towards retirement and is significantly correlated with retirement confidence. This result is consistent with the result of study conducted by (Lai & Tan, 2009; Joo & Pauwels, 2002). Attitude towards retirement is found to be significant predictor of retirement confidence (Moorthy et al., 2012). Moreover, this study examined the effect of the following demographic variables on the retirement confidence: gender, education level and income level. Findings of previous studies on retirement confidence suggest that these variables have consistently mixed results when being tested. Joo and Pauwels (2002) found that working men compared to women; who had higher levels of education; higher levels of income; positive attitude towards retirement had higher levels of retirement confidence. The result of regression analysis of current study matches with the findings of other country. In the same line, Jeun and Sabri (2014) concluded that gender, education level and financial status of a have a significant impact on retirement confidence of working individual which is also consistent with present study.

Conclusion

This study investigates the factors that influence the individuals' retirement confidence. Moreover, the study tends to look for what exactly an individual's think of their retirement and what they plan for retirement.

Regarding the pre-retirement plan, finding of the study shows that majority of the respondents consider deposit in saving account as a safe source of investment and invest large portion of their current income. The deposit in saving account is done to overcome the need and necessity after retirement. Respondents give second priority to investment in stock market. Regular income and capital preservation are the main reasons for choosing above mentioned area of investment before retirement.

The study shows employees working in private organizations are moderately confident regarding their retired life. Further individuals with higher income tend to invest in more than one investment area. Logically, only those with sufficient money at hand have the ability to set aside some money for retirement funds. Following this logical rationale, it is reasonable that income level positively predicts retirement confidence among employees working in private sector. Similarly, employees practicing regular healthy financial management have higher retirement confidence. Practical participation in financial management grant employees greater control over retirement fund allocation. Individual with positive attitude towards retirement, positive saving behavior and high financial knowledge and literacy plan better for retired life. With the proper financial knowledge, employees are able to plan their financial effectively without stepping into financial traps. Individuals who look forward to retired life have positive attitude towards post-retirement life and have higher retirement confidence. All the demographic variables considered in the study had significant impact on

the retirement confidence of working employees. Financial management practices, saving behavior, financial knowledge and literacy and attitude towards retirement, gender, income and education level were significant predictor of retirement confidence that pose an impact on individuals retirement confidence.

Implications

The study will provide valuable cues for financial and investment organization to develop a better strategy for attracting potential and existing clients in the growing uncertainty of financial issues. Since regular income and capital preservation is their major objective for choosing retirement saving and investment area, financial institutions such as banks and insurance companies can develop new scheme accounts and products regarding retirement saving and investment. Developing a consulting firm to carry out counseling programs concerning to retirement issues and making individuals near to retirement aware of their retirement needs can be a new business avenue for financial consultants.

The findings present practical implications for financial advisors as well. Better understanding of the factors affecting retirement confidence will help financial advisors to improve their clients' attitudes towards retirement. Furthermore, as the results indicate that financial management practices contributes most to retirement confidence, the inclusion of financial management education into retirement planning seminars is relevant. Employees working in private sectors are encouraged to implement healthy financial management practices in daily settings.

The study also leaves some ground for future study. Further studies that include more variables such as goal clarity, risk tolerance that links preparedness for retirement with retirement decision are suggested. This study is only limited to individuals who are at the 50's of their life so the study can be further extended by including all working individuals age group. Similarly, comparison between retirement confidence of private and public working employees can be carried out in future.

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The Influence of Personality Traits and Information in the Trading Behaviour of Nepalese Stock Market

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Abstract

The paper analyzes the impact of information sources on investor trading behavior and examines whether investor personality traits moderate the relationship between information sources and trading behavior in Nepalese stock market. The study examines the trading behavior of individual investors by using a structured questionnaire. A survey of 385 individual investors around Kathmandu valley was undertaken to collect the primary data. The study uses path models to assess the influence of information sources and personality traits on trading frequency of individual investors. The findings of the study suggested that the sources of information used by investors as a foundation of their financial choices have a significant impact on trading frequency. It was found that financial advice, word-of-mouth communication and specialized press all have a significant positive impact on trading frequency. Using the Big Five personality framework, the study also provided empirical evidence that unique personality traits of investors moderate the relationship between sources of information and trading behavior. Word of mouth communication and specialized press increased trading frequency in investors with extraversion, agreeableness and neuroticism traits while financial advice from professionals reduced trading frequency in neurotic investors. Similarly, financial information acquired via specialized press resulted in more trading in investors with openness and conscientiousness traits.

Keywords: Financial advice, Word of Mouth communication, Specialized press, Personality, Trading frequency

Introduction

The primary role of the capital market is allocation of ownership of the economy's capital stock. In recent years the individual motive to save for retirements has increased stock market participation (Campbell, 2006; Lusardi & Mitchell, 2007; Van Rooij, Lusardi & Alessie, 2011). In the mean time, sophisticated financial products and complexity of financial markets have imposed challenges for individual to invest wisely (Lusardi & Mitchell, 2011). Hence, saving motives and complexities of financial market influence stock market participation.

Traditional finance theories such as Modern Portfolio Theory (Markowitz, 1952) and Efficient Market Theory (Fama, 1970, 1991) supported the hypotheses of rational investors

and efficient markets. The normative model of traditional finance assumed that markets adhere to the efficient market hypothesis (EMH). Participants are rational and thus process all pertinent information accurately. However, many researches in the past few decades have indicated that the traditional finance theory's predictive power is not able to explain investors' observation and experience in the financial markets in reality (Takahashi & Terano, 2003; Chang, 2008; Firat & Fettaoglu, 2011). It has been established that investor behavior and asset price deviate from the prediction of simple rational models. Hence like many other researchers, Kahneman and Tversky (1979) suggested that the study of psychology and other social science theories contribute to better understanding of financial markets.

Behavioral finance has emerged as a new discipline which focused on the interaction of psychology and finance to have a better understanding of the investment decision making process of the investors and their impact on financial markets (Ricciardi & Simon, 2000). The descriptive model of behavioral finance suggested how market participants actually behave in reality (Nofsinger, 2007). The proponents of behavioral finance believed that market participants do not always act as rational entities. Individuals in investment market cannot always process all relevant market information because they are influenced by various psychological factors. Investors are prone to behavioral biases and their decisions are guided by individual's desires, goals, prejudices, emotions and personality traits (De Bondt & Thaler, 1987; Pavabutr, 2002; Todd & Gigerenzer, 2003; Szyszka & Zielonka, 2007). Thus, individual investors exhibit heterogeneity in financial behavior with respect to investment decisions and asset allocation.

Depending on investors' limited ability to make informed trading decisions under uncertainty, the key sources of information play a big role in determining investors' behavior (Campbell & Viceira, 2003; Hong, Kubik, & Stein, 2004; Fischer & Gerhardt, 2007; Epstein & Schneider, 2008; Hackethal, Haliassos, & Jappelli, 2012; Abreu & Mendes, 2012; Tauni, Fang, & Iqbal, 2016; Tauni, Rao, Fang, & Gao, 2017). The past literature documented that investors use various information search strategies to help them make trading decisions. These information search strategies were usually based upon the time spent on information search, number of contacts by phone or visit and the number of sources used by investors to gather market information (Loibl & Hira, 2009). Investors acquired information from a variety of sources; some of the sources were specialized like advice of financial experts, specialized press while others were non-specialized like friends, peers or other means of social interaction (Durand, Newby & Sanghani, 2008; Abreu & Mendes, 2012; Tauni, Rao, Fang & Gao, 2017a). Each source of information was different in terms of the value of information as well as the costs incurred for information acquisition. A piece of news from reliable source may lead to more trading than from a less trustworthy one (Epstein

& Schneider, 2008). Hence, it is understood that the quality of information source has an impact on investor trading behavior.

Fischer and Gerhardt (2007) also argued that financial advice from professionals should lead to more rational investment decisions with positive impact on trading by better self evaluation of investors' own skills. On the other hand, Ivkovic and Weisbenner (2007) claimed that the word-of-mouth effect is a "broad phenomenon that affects financial decisions made by individual investors" for they "may seek to reduce search costs and circumvent their lack of expertise by relying on word-of-mouth communication with those around them".

Personality psychology argued that personality is a key determinant of human behavior. Heinstrom (2003) exhibited that in a given situation, personality forms a specific inclination toward a certain characteristic reaction; therefore, personality can be regarded as a key driver of human behavior. A number of studies in behavioral finance literature have provided evidence of how personality attributes may influence trading behavior. Durand, Newby and Sanghani (2008) in a study conducted in Australia postulated that the Big Five personality is a function of the investors' trading behavior and also demonstrated that investor personality influences the choice of the information source made by investor. Tauni, Fang, Rao and Yousaf (2015) investigated the impact of the frequency of information acquisition on the frequency of stock trading. The study asserted that the more frequently investors acquire information, the more investors trade in stocks. Moreover, the authors provided empirical evidence that the Big Five personality traits moderate the relationship of information acquisition with stock trading behavior.

Likewise Tauni, Fang and Iqbal (2016) investigated the impact of sources of information on trading behavior by analyzing the influence of investor personality in Chinese futures market. The authors confirmed that the sources of information have a significant impact on trading frequency and investor personality traits moderate the relationship between sources of information and trading behavior. Frechette, Schotter and Trevino (2017) also concluded that investor personality first determines the type of information the investor collect, which further influences the choices that are ultimately made. Further Tauni, Rao, Fang and Gao (2017) in the study conducted in Chinese stock market posited that the key sources of information have a significant influence on investors' trading behavior and investor personality traits moderate the said relationship.

Apparently, investors' personality traits affect the association between sources of information and trading behavior. However, in fact, there does not seem to be any research work related to the moderating effect of personality traits on association between information source and trading behavior in stock exchanges except for China. Hence, the objective of this study is to analyze the impact of information sources on investor trading behavior and to

examine whether investor personality traits moderate the relationship between information sources and trading behavior. The study reviews some of the most significant factors of behavioral finance, such as sources of information used by investors as a foundation of their financial choices and investors' personality. It analyzes whether the sources of information used by Nepalese investors impact their trading behavior in Nepalese stock exchange and examines whether investors' personality traits moderate the relationship between sources of information and trading behavior. Thus, the model incorporates all these factors into the same picture and simultaneously examines the relationships between them, providing a more objective framework.

Literature review

Information is instrumental factor in rational decision making. Shapira and Venezia (2001) found that the volume of stocks and stock transactions per year increases when investors get professional advice.

Fischer and Gerhardt (2007) in an attempt to reduce the welfare costs that individual investors suffer from investment mistakes, normatively introduced the crucial component in investment process: financial advice. The author compared findings from existing research then, contrasted normative recommendations with empirical evidence about actual behavior of individual investors and showed that any deviations lead to considerable welfare losses. Finally, the author presented financial advice as (potentially) correcting factor and postulated that financial advice from professionals has a positive impact on trading, as it allows investors to better analyze their own skills and, therefore, leads to more rational trading decisions.

Epstein and Schneider (2008) studied the role of uncertain information quality in financial markets. The author proposed a new model of information processing by ambiguity-averse investors built on the axiomatic foundations of recursive multiple priors utility and showed that investors adjust their portfolios more, and hence trade more frequently, when they acquire information from a reliable source. This implies that financial advisors promote diversification of their clients' portfolios, showing a positive impact of financial advice on trading.

Abreu and Mendes (2012) investigated how the strength of the positive association between frequency of trading and information acquisition is dependent on the sources of information used by investors and on investors' overconfidence. The author posited that investors trade more frequently when they get financial advice from professionals or use specialized sources to acquire information because of their high credibility and comprehensive analysis of stock market conducted by advisors.

Further, Hackethal, Haliassos and Jappelli (2012), while studying German investors from internet brokerage firm, found that investors increase trading when they get financial advice. These findings suggest that advised accounts tend to have more trading because of the commission incentives that advisors create through high account trading. Apparently, the empirical evidences show that financial advice from financial advisors influences the trading behavior of individual investors.

Investors rely on social interaction to exchange information regarding stock market. Madrian and Shea (2001) demonstrated that social interaction has a significant influence on employee decisions to participate in retirement plans, as individuals tend to follow saving choices of their co-workers. In health and retirement survey of households, Hong, Kubik and Stein (2004) also proposed that stock-market participation is influenced by social interaction. The author argued that any given "social" investor finds the market more attractive when more peers participate. The author further opined that social households-those who interact with their neighbors, attend church-are substantially more likely to invest in the market than non-social households, controlling for wealth, race, education, and risk tolerance.

Ivkovi'c and Weisbenner (2007) studied the relationship between households' stock purchases and stock purchases made by neighbors. Controlling for area sociability, households' and neighbors' investment style preferences, and the industry composition of local firms, the author attributed approximately one-quarter to one-half of the correlation between households' stock purchases and stock purchases made by the neighbors to word-of-mouth communication. Hence, it can be posited that word-of-mouth communication is a broad phenomenon that affects financial decisions of individual investors, as they lack expertise for evaluating investment decisions and tend to reduce information search costs by relying on word-of-mouth communication.

Kaustia and Knüpfer (2012) found that high neighborhood returns increase the stock market participation of new individual investors living in a geographical area whereas negative returns cause the new entry less likely to happen. Hence, it can be implied that peer performance can influence the adoption of financial innovations and investment styles. Changwony, Campbell and Tabner (2015) also reaffirmed that active involvement of an individual in a social group positively affects one's stock market participation.

Psychologists believe that trading decisions of investors represent a form of human behavior which may be attributed to investor personality. In emerging literature of behavioral finance, few studies also provide an evidence of how personality traits of investors may influence trading behavior and performance.

Van Witteloostuijin and Muehlfeld (2008) opined that a human being's personality is a key determinant of trading behavior and performance. The author illustrated, for a limited

subset of six personality traits (locus of control, maximizing tendency, regret disposition, self-monitoring, sensation seeking and type-A/B behavior), and applied those traits in the context of the study of trader behavior and performance. The study suggested that different personality traits affect distinct components of trading behavior, and so trading performance.

Mayfield, Perdue and Wooten (2008) examined several psychological antecedents to both short-term and long-term investment intentions, with specific focus on the Big Five personality taxonomy. The author posited that individuals high on extraversion intend to engage in short-term investing while individuals high on openness to experience are inclined to engage in long-term investing. However, openness did not predict short-term investing. Author also found that individual those who are higher in neuroticism and/or risk aversion avoid short-term investing and risk adverse individuals also do not engage in long-term investing. Hence, it can be implied that personality traits influence the investment intentions of individual investors.

Further Durand, Newby, and Sanghani (2008) used the “Big Five” on a sample of 21 individual investors from Australia and showed that the Big Five personality is associated with investors' trading behavior. The author postulated positive association between negative emotion and trading frequency and negative relationship between extraversion and trading. In the same way Durand, Newby, Peggs and Siekierka (2013a) found positive association of conscientiousness with trading behavior.

Durand, Newby, Tant and Trepongkaruna (2013b) again examined how personality traits are associated with phenomena observed in financial markets – particularly overconfidence and overreaction of investors in an experimental foreign exchange market. The author presented meta-analysis of how particular traits affect investment and demonstrated that personality traits are associated with overconfidence and overreaction in financial markets.

Tauni, Fang and Iqbal (2017b) investigated how the strength of association between investor personality traits and stock trading behavior in Chinese stock market is sensitive to the key sources of information used by investors as the basis for their financial choices. The study concluded that the key sources of information moderate the relationship of the Big five personality traits and stock trading behavior. Investors with openness and neuroticism traits trade stocks more frequently when investors acquire information from financial advice whereas extraverted and conscientious investors trade stocks less intensively when investors use financial advice. Investors with extraversion and agreeableness traits trade stocks more intensively when investors acquire information via word-of-mouth communication. Open minded, conscientious and neurotic investors adjust their portfolio less frequently as a result of social interaction.

Further, Akhtar, Thyagaraj and Das (2018) examined the relationship between an individual investor's personality trait and perceived investment performance integrating social influence (as a moderating construct) and outlined the role of personality in determining the perceived investment performance during the investment decision-making process. The study opined that social influence positively moderates the relationship between extraversion – perceived investment performance, whereas it negatively moderates the relationship between agreeability - perceived investment performance. Evidently, the empirical studies have discovered how differences in investors' psychological characteristics influence investor's financial behavior. These variations are yet largely unexplained, and therefore, new approaches are required to discuss how investors' psychological characteristics, such as personality, may influence investor decision making in financial markets.

Past studies have highlighted how psychological variables influence information interaction in context of financial decision making. Loibl and Hira (2009) investigated the use of information sources by investors in financial decision-making by considering their demographic, psychological (future orientation, investor discipline, risk tolerance, investment interest, investor confidence and financial satisfaction) and involvement variables (decision authority, participation changes and investment action). The author included internet-based sources, mass media sources, interpersonal sources and workplace-based sources in the study and categorized investors into five clusters based on information usage: balanced investor, online investor, moderate investor, workplace investor and reluctant investor.

In information search literature, the influence of personality traits on information search strategies has been highlighted over the years. Using the Big Five personality framework, Durand, Newby and Sanghani (2008) showed that investor personality traits influence the choice of main sources of market information for investment decisions. The author found a positive relationship of openness and neuroticism with financial advice. However, the author found a positive association of conscientiousness with the use of specialized press such as financial publications as a primary source of information. This may be consistent to the explanation that investors with high conscientiousness work harder to collect relatively accurate and pertinent information themselves (Costa and McCrae, 1992). Furthermore, the author also found that psychographic characteristics of preference for innovation positively associates with the use of television as a source of information, whereas a negatively with risk-taking propensity.

Heimer (2014) showed that active investors are more extensively involved in social interaction than passive investors; therefore, informal communication in active investors is more likely to promote investment strategies.

Tauni, Fang, Rao and Yousaf (2015) investigated the impact of the frequency of information acquisition on the frequency of stock trading in Chinese futures market. The study asserted that the more frequently investors acquire information, the more often investors trade in stocks. Moreover, the authors provided empirical evidence that extraversion and conscientiousness positively moderate the relationship between information acquisition and trading frequency; and openness negatively moderates the relationship between information acquisition and trading frequency.

Likewise Tauni, Fang and Iqbal (2016) again investigated the impact of sources of information on trading behavior by analyzing the influence of investor personality in Chinese futures market. The authors confirmed that the sources of information have a significant impact on trading frequency and provided an empirical evidence that financial advice from professionals is likely to increase trading frequency in investors with neuroticism and openness personality traits, and to reduce trading frequency in conscientious and extravert investors. Similarly, financial information acquired via word-of-mouth communication results in more trading in extravert and agreeable investors and information acquisition from specialized press causes more adjustment of conscientious investors' portfolios.

Further Tauni, Rao, Fang and Gao (2017a) in the study conducted in Chinese stock market posited that the key sources of information have a significant influence on investors' trading behavior and investor personality traits moderate the said relationship. The findings confirmed that financial advice tend to increase the frequency of trading in investors with openness, extraversion, neuroticism and agreeableness personality traits, and tend to decrease the intensity of trading in investors with conscientiousness trait. On the other hand, financial information acquired from word-of-mouth communication is more likely to enhance trading frequency in extraverted and agreeable investors, and is more likely to reduce trading frequency in investors with openness, conscientiousness and neuroticism traits. Finally, the use of specialized press leads to more adjustment in portfolios of the investors with openness and conscientiousness traits than those with other personality traits.

Tauni, Majeed, Mirza, Yousaf and Jebran (2018) investigated the role of financial advice on investor trading behavior by analyzing the influence of advisor personality. The authors found that financial advice positively impacts investors' stock trading frequency. The authors also provided empirical evidence that financial advice is more likely to increase trading frequency when advisor personality tends to be openness, conscientiousness and agreeableness. On the other hand, information acquired from financial advisors causes fewer adjustments in investors' portfolios when the personality of advisors is likely to be extraverted and neurotic.

Hence, the impact of different sources of information on trading behavior may vary depending upon investor personality traits. In other words, unique personality traits of investor may moderate the relationship between the sources of information and trading behavior.

A review of the previous studies showed that there is a lack of investigation into the key sources of information used by Nepalese stock investors as a base for their financial choices and into how the impact of these sources of information on trading behavior may be influenced by investor personality. Hence, this study proposes to examine the influence of unique investor personality types on relationship between sources of information and trading behavior in Nepalese stock market.

Following hypotheses are proposed for the study. Hypotheses have been constructed after reviewing the study conducted in Chinese stock market authored by Tauni, Rao, Fang and Gao (2017).

H1a: Openness positively moderates the relationship between financial advice and trading behavior.

H1b: Openness negatively moderates the relationship between WOM communication and trading behavior.

H1c: Openness positively moderates the relationship between specialized press and trading behavior.

H2a: Conscientiousness negatively moderates the relationship between financial advice and trading behavior.

H2b: Conscientiousness negatively moderates the relationship between WOM communication and trading behavior.

H2c: Conscientiousness positively moderates the relationship between specialized press and trading behavior.

H3a: Extraversion positively moderates the relationship between financial advice and trading behavior.

H3b: Extraversion positively moderates the relationship between WOM communication and trading behavior.

H3c: Extraversion does not moderate the relationship between specialized press and trading behavior.

H4a: Agreeableness positively moderates the relationship between financial advice and trading behavior.

H4b: Agreeableness positively moderates the relationship between WOM communication and trading behavior.

H4c: Agreeableness does not moderate the relationship between specialized press and trading behavior.

H5a: Neuroticism positively moderates the relationship between financial advice and trading behavior.

H5b: Neuroticism negatively moderates the relationship between WOM communication and trading behavior.

H5c: Neuroticism does not moderate the relationship between specialized press and trading behavior.

Theoretical framework

In this study a conceptual framework is developed by taking insights from another psychological discipline: personality psychology, to explain reasons for the variations in individual investors' trading behavior when investors choose to acquire information from different sources. The study is based upon the theoretical model adopted by Tauni, Rao, Fang and Gao (2017a) that explained investors of various personality types may influence the way investors interpret signals from different sources of information, thereby influencing investors decisions to trade stocks. Hence, the same model has been proposed for the study and the model incorporates different sources of information that investors use as a foundation for making financial decisions, investors personality based on Big Five personality traits, Investors trading behavior and investors' socio-economic characteristics.

The dependent variable for the study is “trading behavior”. The independent variable is the frequency with which the key sources of market information namely financial advice, word of mouth communication and specialized press are used by Nepalese stock investors to acquire financial information.

The moderating variables for the study are the unique investor personality traits which were adopted from the Big Five theory. Further, to determine the robustness of the findings, Control variables are broadly classified as investors' socio-economic characteristics such as gender, marital status, age, education, income, trading experience and risk level.

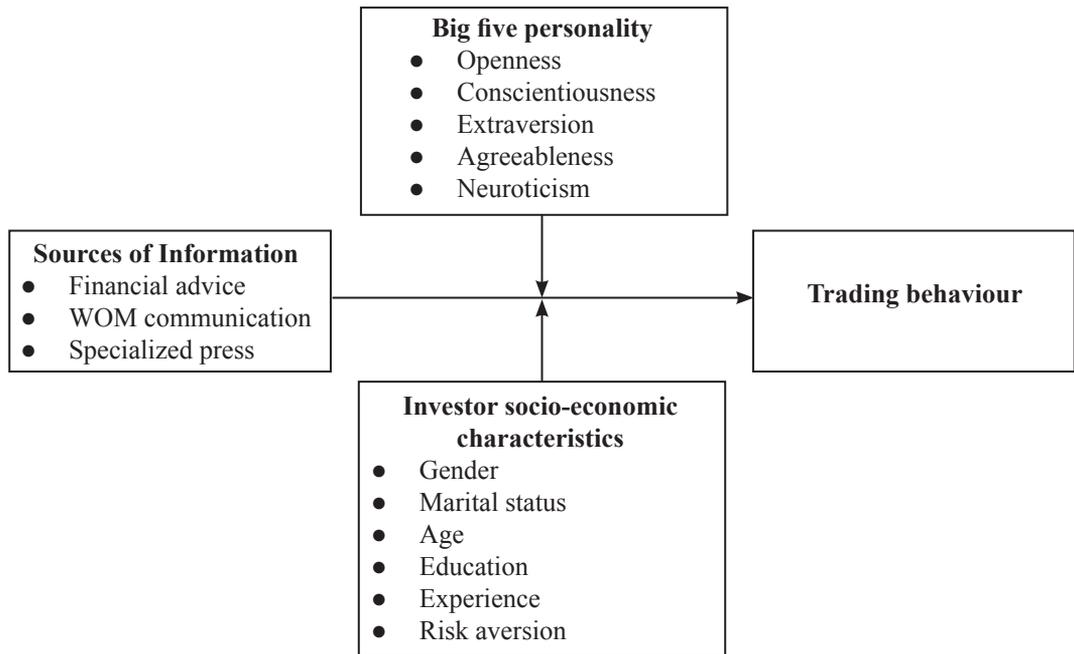


Figure 1. *Conceptual framework. This figure illustrates influence of the Big Five personality traits on the association between the key source of information and trading behavior.*

Research methods

Study design

The study was based on descriptive research design to analyze the impact of information sources on investor trading behavior and to examine the influence of investor personality traits on information – trading link.

Population and sample

The unit of analysis for the study was an individual investor engaged in stock trading for own accounts. The population for the study comprised all individual investors in Nepal who were involved in stock trading. A survey was conducted among 385 individual investors around Kathmandu valley (n=385) to collect the primary data. The sampling method adopted was convenience sampling.

Nature and sources of Data

Primary data was used for the study. Primary data was collected through survey method using structured questionnaire.

Instrumentation

The study was based on survey method to collect data. The questionnaire employed in this study was adopted from the study of Tauni, Fang and Iqbal (2016). Each questionnaire included questions related to socio-economic characteristics, personality traits, trading behavior and the key sources of information.

Big Five personality framework was used to measure the personality dimensions of Nepalese stock investors. Personality traits of stock investors were measured by using the Big Five Inventory – 10 developed by Rammstedt and John (2007). Few items of personality measures were reverse scored to avoid biased response. To determine the robustness of the findings, various socio-economic characteristics of investors’ such as gender, marital status, age, education, income, trading experience and risk level were used as control variables.

Validity and reliability

To test the validity of the research instrument a pilot survey was carried out. The questionnaire was pretested by collecting responses from 30 respondents and accordingly, questionnaire was modified for validity purpose. Reliability and validity of personality constructs were determined by using cronbach alpha which indicated an acceptable degree of reliability.

Table 1
Reliability Statistics

Variables	Number of items	Cronbach’s alpha
Openness	2	0.755
Conscientiousness	2	0.749
Extraversion	2	0.754
Agreeableness	2	0.775
Neuroticism	2	0.803

In the latter stage, causal model between frequency of trading and key sources of information controlling for investors’ socio-economic characteristics was set up. Path analysis was performed to check the goodness-of-fit indices for the structural models. Various tests were applied to assess the fitness of the measurement model such as the relative/normed chi-square (CMIN/df), comparative fit index (CFI), the goodness-of-fit index (GFI), the adjusted goodness-of-fit index (AGFI), the root mean square error of approximation (RMSEA), the Tucker–Lewis index (TLI), normed fit index (NFI) and the incremental fit index (IFI). Fit indices for the path models have been reported in table 2.

Table 2

Fit indices for the path models

Validity Measures	Threshold Value	Model I	Model II	Model III	Model IV	Model V	Model VI
χ^2/df (CMIN/df)	<3.0 great; <5.0 sometimes permissible	1.370	1.336	1.749	1.219	1.201	1.050
CFI	>0.95 great; >0.90 traditional; >0.90 sometimes permissible	0.995	0.996	0.991	0.997	0.998	0.999
GFI	>0.90 traditional; >0.95 great	0.990	0.981	0.974	0.980	0.981	0.985
AGFI	>0.90 great; >0.80 acceptable	0.958	0.947	0.931	0.951	0.953	0.958
RMSEA	<0.05 great; 0.05-0.10 moderate; >0.10 bad	0.031	0.030	0.044	0.024	0.023	0.011
TLI	>0.90	0.981	0.990	0.979	0.994	0.994	0.999
NFI	>0.90	0.982	0.985	0.979	0.985	0.986	0.987
IFI	>0.90	0.995	0.996	0.991	0.997	0.998	0.999

Data analysis

Both descriptive and inferential statistics were used for data analysis purpose. The socio-demographic variables (Investors' characteristics) have been explained through descriptive statistics. Frequency, mean, median and standard deviations were computed to describe the variables. In inferential analysis, all hypotheses were tested by constructing structural models. The proposed structural models for the study are as follows:

Model I

$$TF = \beta_0 + \beta_1 \text{Advice} + \beta_2 \text{Wom} + \beta_3 \text{Press} + \beta_4 \text{Gen} + \beta_5 \text{Age} + \beta_6 \text{Marry} + \beta_7 \text{Edu} + \beta_8 \text{Exp} + \beta_9 \text{Inc} + \beta_{10} \text{Risk} + \varepsilon$$

Model II

$$TF = \beta_0 + \beta_1 \text{Advice} + \beta_2 \text{Wom} + \beta_3 \text{Press} + \beta_4 \text{OPEN} + \beta_5 \text{OPEN} \times \text{Advice} + \beta_6 \text{OPEN} \times \text{Wom} + \beta_7 \text{OPEN} \times \text{Press} + \beta_8 \text{Gen} + \beta_9 \text{Age} + \beta_{10} \text{Marry} + \beta_{11} \text{Edu} + \beta_{12} \text{Exp} + \beta_{13} \text{Inc} + \beta_{14} \text{Risk} + \varepsilon$$

Model III

$$TF = \beta_0 + \beta_1 \text{Advice} + \beta_2 \text{Wom} + \beta_3 \text{Press} + \beta_4 \text{CONS} + \beta_5 \text{CONS} \times \text{Advice} + \beta_6 \text{CONS} \times \text{Wom} + \beta_7 \text{CONS} \times \text{Press} + \beta_8 \text{Gen} + \beta_9 \text{Age} + \beta_{10} \text{Marry} + \beta_{11} \text{Edu} + \beta_{12} \text{Exp} + \beta_{13} \text{Inc} + \beta_{14} \text{Risk} + \varepsilon$$

Model IV

$$TF = \beta_0 + \beta_1 \text{Advice} + \beta_2 \text{Wom} + \beta_3 \text{Press} + \beta_4 \text{EXTR} + \beta_5 \text{EXTR} \times \text{Advice} + \beta_6 \text{EXTR} \times \text{Wom} + \beta_7 \text{EXTR} \times \text{Press} + \beta_8 \text{Gen} + \beta_9 \text{Age} + \beta_{10} \text{Marry} + \beta_{11} \text{Edu} + \beta_{12} \text{Exp} + \beta_{13} \text{Inc} + \beta_{14} \text{Risk} + \varepsilon$$

Model V

$$TF = \beta_0 + \beta_1 \text{Advice} + \beta_2 \text{Wom} + \beta_3 \text{Press} + \beta_4 \text{AGRE} + \beta_5 \text{AGRE} \times \text{Advice} + \beta_6 \text{AGRE} \times \text{Wom} + \beta_7 \text{AGRE} \times \text{Press} + \beta_8 \text{Gen} + \beta_9 \text{Age} + \beta_{10} \text{Marry} + \beta_{11} \text{Edu} + \beta_{12} \text{Exp} + \beta_{13} \text{Inc} + \beta_{14} \text{Risk} + \varepsilon$$

Model VI

$$TF = \beta_0 + \beta_1 \text{Advice} + \beta_2 \text{Wom} + \beta_3 \text{Press} + \beta_4 \text{NEUR} + \beta_5 \text{NEUR} \times \text{Advice} + \beta_6 \text{NEUR} \times \text{Wom} + \beta_7 \text{NEUR} \times \text{Press} + \beta_8 \text{Gen} + \beta_9 \text{Age} + \beta_{10} \text{Marry} + \beta_{11} \text{Edu} + \beta_{12} \text{Exp} + \beta_{13} \text{Inc} + \beta_{14} \text{Risk} + \varepsilon$$

Where, TF = Frequency of Trading, β_0 = Estimated intercept, β_1 ---14 = Regression coefficients, Advice = Financial Advice, Wom = Word of Mouth communication, Press = Specialized Press, OPEN = Openness, CONS = Conscientiousness, EXTR = Extraversion, AGRE = Agreeableness, NEUR = Neuroticism, Gen = Gender, Age = Age in years, Marry = Marital status, Edu = Education level, Exp = Trading experience, Inc = Net annual income, Risk = Risk Aversion & ε = Standard error.

Study limitations

The study was based on primary data. So, the limitations of primary data may be inherent in the study. Data was collected only from Kathmandu valley. Therefore, the results obtained from this study cannot be generalized for entire stock market participants. The trading behavior of investors was investigated on the basis of self-reported data and there may be risk of biases. The structured questionnaire survey method was used for the study. As a result, the study might be subjected to sampling and non-sampling errors.

Results

Demographic profile of respondents

The demographic profile of respondents describes the status of respondents according to variables such as gender, age, marital status, education level, trading experience and net annual income. Table 3 reports the socio-economic characteristics of respondents. Out of 385 respondents, 61.3 percent were male and remaining 38.7 percent were female respondents. The majority of the respondents (i.e. 66 percent) belonged to the age group of 25 – 40. Out of the total respondents, 56.9 percent were married and remaining 43.1 percent were not married. Moreover, the education profile of respondents depicted that 62.6 percent out of total respondents have completed their college degree, 21.8 percent have been awarded

with higher secondary education, 12.2 percent have completed their post graduate degree or above and 3.4 percent were respondents with educational qualification below high school. This shows that majority of the respondents were educated and holds the college degree. Table 3 further reports that the 45.5 percent out of total respondents have been trading in Nepal Stock Exchange since 2 – 5 years and 34.5 percent respondents have the experience of 6 – 8 years of trading. Likewise, the income level of respondents showed that 53.5 percent out of total respondents belonged to the income category of 10,00,001 – 20,00,000, 29.4 percent of the respondents had the income level of 5,00,000 – 10,00,000, 10.4 percent respondents were of the income group less than 5,00,000, 4.9 percent respondents belonged to the income group of 20,00,001 – 30,00,000 and 1.8 percent respondents had the net annual income above 30,00,000.

Table 3

Respondent's socio-economic characteristics

Variables	Frequency	Percentage
Gender		
Female	149	38.7
Male	236	61.3
Age in years		
Less than 25	48	12.5
25 – 40	254	66
41 – 60	72	18.7
More than 60	11	2.9
Marital status		
Single	166	43.1
Married	219	56.9
Education Level		
Below high school	13	3.4
High school	84	21.8
College degree	241	62.6
Post-graduate degree or above	47	12.2
Trading experience		
Less than 2 years	39	10.1
2 – 5 years	175	45.5
6 – 8 years	133	34.5
9 – 10 years	28	7.3
Above 10 years	10	2.6
Net Annual Income (NRs.)		
Less than 5,00,000	40	10.4
5,00,000 – 10,00,000	113	29.4
10,00,001 – 20,00,000	206	53.5
20,00,001 – 30,00,000	19	4.9
Above 30,00,000	7	1.8

Use of information sources and trading behavior

To determine the impact of key sources of information used by investors as a foundation of their financial choices on trading behavior, path analysis was done and causal model fit was derived. The fit indices yielded for the path models are presented in Table 2. The majority of indices that were examined yielded values as suggested by Bentler and Bonett (1980) and Hu and Bentler (1999).

Model I showed that the predictors of frequency of trading explained 37.4 percent of its variance. Financial advice ($b = 0.199, p < 0.01$), word of mouth communication ($b = 0.120, p < 0.01$) and specialized press ($b = 0.287, p < 0.01$) all have significant positive impact on the intensity of trading. To determine the robustness of the findings, all path models were constructed using the controls i.e. other socio-economic characteristics such as gender, age, marital status, education, trading experience, income and risk levels which may otherwise provide an alternative explanation. However, the statistical results of these controls have been omitted in the interest of space. Statistical estimates for the path models have been reported in Table 4.

Influence of personality on information – trading link

The moderating influence of personality on the relationship of information sources and trading frequency was tested according to the conceptual model of the study. The 15 interaction terms of the information sources and personality traits were computed and entered into the models II – VI respectively.

Model II of the Table 5 showed that the predictors of frequency of trading explained 39.8 percent of its variance. The findings suggested that Openness ($b = -0.513, p < 0.05$) have significant negative impact on the intensity of trading. The standardized coefficient of the interaction term Open-x-Press with trading frequency ($b = 0.279, p < 0.05$) depicted that Openness positively moderates the relationship between specialized press and trading frequency. However, the interaction effect of Openness trait on the relationship of financial advice and trading frequency, word of mouth communication and trading frequency respectively were found to be statistically insignificant.

Model III showed that the predictors of frequency of trading explained 39.9 percent of its variance. It was found that Conscientiousness ($b = -0.544, p < 0.05$) have significant negative impact on the intensity of trading. The standardized coefficient of the interaction term Cons-x-Press with trading frequency ($b = 0.444, p < 0.01$) depicted that Conscientiousness positively moderates the relationship between specialized press and trading frequency. However, the interaction effect of Conscientiousness trait on the relationship of financial

advice and trading frequency, word of mouth communication and trading frequency respectively were found to be statistically insignificant.

Model IV showed that the predictors of frequency of trading explained 39.1 percent of its variance. Results indicated that Extraversion ($b = -0.747$, $p < 0.01$) have significant negative impact on the intensity of trading. The standardized coefficient of the interaction term Extr-x-WOM with trading frequency ($b = 0.343$, $p < 0.05$) depicted that Extraversion positively moderates the relationship between word of mouth communication and trading frequency. Likewise, the standardized coefficient of the interaction term Extr-x-Press ($b = 0.363$, $p < 0.05$) revealed that Extraversion strengthens the positive association between specialized press and the intensity of trading. However, the interaction effect of Extraversion trait on the relationship of financial advice and trading frequency was found to be statistically insignificant.

Model V revealed that the predictors of frequency of trading explained 40.3 percent of its variance. Findings indicated that Agreeableness ($b = -0.815$, $p < 0.01$) have significant negative impact on the intensity of trading. The standardized coefficient of the interaction term Agre-x-WOM with trading frequency ($b = 0.391$, $p < 0.05$) depicted that

Table 4

Standardized coefficients of Models (Path analysis results)

Predictors	Estimates
<i>Model I: Causal Model</i>	
Financial advice	.199***
WOM Communication	.120***
Specialized press	.287***
Squared Multiple Correlation	.374
Observation	385

Table 5

Standardized Coefficients of Interaction effects in path models

<i>Model II: Openness</i>		<i>Model III: Extraversion</i>	
Predictors	Estimates	Predictors	Estimates
Financial advice	.184***	Financial advice	.198***
WOM Communication	.119***	WOM Communication	.116***
Specialized press	.263***	Specialized press	.275***
Openness	-.513**	Extraversion	-.747***
OPEN_Advice	-.106	EXTR_Advice	-.002
OPEN_Wom	.163	EXTR_Wom	.343**
OPEN_Press	.279**	EXTR_Press	.363**
Squared Multiple Correlation	.398	Squared Multiple Correlation	.391
Observation	385	Observation	385
<i>Model III: Conscientiousness</i>		<i>Model IV: Agreeableness</i>	
Financial advice	.197***	Financial advice	.187***
WOM Communication	.114***	WOM Communication	.115***
Specialized press	.308***	Specialized press	.263***
Conscientiousness	-.544**	Agreeableness	-.815***
CONS_Advice	.087	AGRE_Advice	-.060
CONS_Wom	-.032	AGRE_Wom	.391**
CONS_Press	.444***	AGRE_Press	.340**
Squared Multiple Correlation	.399	Squared Multiple Correlation	.403
Observation	385	Observation	385
<i>Model VI: Neuroticism</i>			
Financial advice			.182***
WOM Communication			.119***
Specialized press			.287***
Neuroticism			-.457**
NEUR_Advice			-.164**
NEUR_Wom			.381**
NEUR_Press			.254*
Squared Multiple Correlation			.389
Observation			385

Note. *, **, ***Significant at the 0.1, 0.05 and 0.01 levels

Agreeableness positively moderates the relationship between word of mouth communication and trading frequency. Likewise, the standardized coefficient of the interaction term Agree-x-Press ($b = 0.340, p < 0.05$) revealed that Agreeableness strengthens the positive association between specialized press and the intensity of trading. However, the interaction effect of Agreeableness trait on the relationship of financial advice and trading frequency was found to be statistically insignificant.

Model VI revealed that the predictors of frequency of trading explained 38.9 percent of its variance. The model indicated that Neuroticism ($b = -0.457, p < 0.05$) have significant

negative impact on the intensity of trading. The standardized coefficient of the interaction term *Neur-x-Advice* with trading frequency ($b = -0.164, p < 0.05$) depicted that Neuroticism negatively moderates the relationship between financial advice and trading frequency. On the other hand, the standardized coefficient of the interaction term *Neur-x-WOM* ($b = 0.381, p < 0.05$) revealed that Neuroticism strengthens the positive association between word of mouth communication and the intensity of trading. Likewise, the standardized coefficient of the interaction term *Neur-x-Press* ($b = 0.254, p < 0.1$) with trading frequency exhibited that Neuroticism strengthens the positive impact of specialized press on trading behavior.

Discussions

The main purpose of the study was to investigate the psychological factor i.e. personality traits affecting trading behavior of stock investors when they choose to acquire financial information from various sources. It was found that sources of financial information used by stock investors as a foundation for their financial decisions have a significant impact on trading behavior. Results showed that financial advice, word of mouth communication and specialized press, all have a significant positive impact on intensity of trading. However, the specialized press and financial advice tend to have greater positive impact on investors trading behavior compared to word of mouth communication. The findings are in line with the argument that investors trade more when they acquire information from a more reliable source – specialized press and financial advice, compared with when they acquire information from a less trustworthy source – word of mouth communication (Fischer & Gerhardt, 2007; Epstein & Schneider, 2008; Abreu & Mendes, 2012; Tauni, Rao, Fang, & Gao, 2017a).

Using specialized press, investors collect information with their personal efforts and conscience and become informed by spending more time on information search. This may increase investor's level of confidence. As a result, Investors begin to expect greater returns by investing in risky securities such as stocks. Peress (2004) has argued that self-informed investors with a greater level of risk are more likely to adjust their portfolios in pursuit of higher returns, and therefore, are likely to trade more.

With regards to financial advice, in Nepalese stock market the tendency of investors to approach financial advisors for investment decision is not common. However, with the sample size representing stock investors in Nepalese stock market, the findings are consistent with a view that financial advisors increase trading frequency of individual investors because advisors generate higher commission through higher trading of their clients (Shapira & Venezia, 2001). Further, with respect to word of mouth communication, results are consistent with those of Hong, Kubik and Stein (2004) who postulated that stock-market participation is influenced by social interaction. Again, Ivkovic and Weisbenner (2007) also attributed approximately one-quarter to one-half of the correlation between

households' stock purchases and stock purchases made by the neighbors to word of mouth communication.

The findings may be criticized on the grounds that although more information acquired from a particular source may lead to more trading, but it may also lead to no trading. What if the case where information acquired suggested that trading is not favorable? In this view, Argentesi, Lütkepohl and Motta (2010) argued that the sale of a financial newspaper does not have any impact on quantities traded in Italian stock market. The author argued that more financial information acquired by investors does not always lead them to trade more because it may also suggest that trading is a bad idea. However, in rational and behavioral models of investment, it is exhibited that more information acquired by investor leads them to trade more (Peress, 2004).

Next, the study investigated the impact of sources of information on trading behavior is influenced by investor personality traits. It was found that unique investor personality traits are significant predictors of variations in information source-trading link. With regards to openness trait, it was found that openness positively moderates the relationship between specialized press and trading frequency in such a way that open-minded investor trade more frequently when they get information from specialized press. The open-minded individuals tend to be innovative when seeking information and consult variety of information sources due to their wide interests and curiosity (Kasperson, 1978; Finlay & Finlay, 1996). The more varied and innovative information acquisition from variety of sources may provide them with an opportunity to actively seek new approaches of doing things and therefore investors with openness trait are more likely to trade stocks frequently when they acquire information by themselves using specialized press.

With reference to conscientiousness trait, the findings exhibited that conscientious investors trade more frequently when they use specialized press. The interaction effect of conscientiousness trait on the relationship of financial advice and trading frequency, word of mouth communication and trading frequency respectively were found to be statistically insignificant. The plausible explanation may be that high conscientious individuals are self-reliant and confident in their own work skills. Such individuals work hard with the highest probability of achieving the best results (Behling, 1998). As a result, such individuals rely more on information collected by themselves and prefer to take matters into their own hands through greater levels of self-control (Wanberg & Kammeyer-Mueller, 2000) which in fact may urge them to trade more frequently when they acquire information on their own using specialized press.

The findings revealed that extraverted investors trade more frequently when they acquire information from word-of-mouth communication and specialized press. Individuals with high extraversion trait are able to derive greater value from social interaction and are likely

to believe in information that is acquired from friends and family (Costa & McCrae, 1992). Such individuals tend to have warm relationships with others and are able to acquire bulk information from a growing social network. Hence, extraverted investors are likely to trade more frequently when they acquire information from word of mouth communication.

One might argue that extraverted investors trading behavior should not be affected by specialized press if they tend to derive greater value from social interaction. The plausible explanation may be that even though extraverted individual tend to derive greater value from social interaction, such individuals at first need to associate themselves to social groups and need to comply with the expectations of people around them to enhance their self-image. Thus, extraverted individuals need to work hard, believe on their skills and collect prior information to get associated to certain social groups. Hence, trading behavior of extraverted investors is affected by specialized press as well.

Similarly, the findings of the study showed that agreeableness trait positively moderates the relationship between word-of-mouth communication and trading frequency. High agreeable investors trade frequently when they acquire information from interpersonal sources. Agreeable persons are cooperative and strive to maintain harmony in interpersonal relations (Costa & McCrae, 1992). The trading behavior of agreeable investors reflects more of others' desires rather than investors' own judgment (McCrae & Costa, 2008). Hence, agreeable investors may be more likely to adjust their portfolios when they acquire information from their peers.

Similarly high agreeableness individuals also exhibit inquisitive, judgmental and critical attitude over suggestion from peers (Eisen, Winograd, & Qin, 2002). Hence, agreeable investors may eagerly investigate and critically analyze information received via word of mouth communication. Thus, agreeable investors may also adjust their portfolios when they acquire information via specialized press. However, further studies in future are recommended to explore and revalidate the above findings.

Finally, the study concluded that neuroticism negatively moderates the relationship between financial advice and trading and positively moderates the relationship between word of mouth communication, specialized press and magnitude of trading. Individuals with neuroticism trait are likely to experience mood swings, negative emotions such as anxiety, depression, pressure and fear (Costa & McCrae, 1992). Anxious investors may feel insecure because of their high sensitivity to external stimuli related to fluctuating market conditions which increases their nervousness and fear of unknown if they decide to trade. Hence, suggestions and ideas from social circles and information from specialized press may help them to overcome those unpleasant thoughts, as close friends and family members knows one's interests on a deeper level and tend to give more emotional and moral support

as compared to the financial advisors. Further, Specialized press is the reliable sources to collect reliable investment information and design appropriate trading strategies.

On the contrary advisors' recommendations may negatively influence the likelihood of investors to perceive trade. In Nepalese context, the tendency of investors to approach financial advisors for investment decision is not common. As a result, with the sample size representing population of stock investors, the study found that neuroticism negatively moderates the relationship between financial advice and magnitude of trading.

This study might be among the first ones to utilize Big Five Personality framework in the Nepalese stock market to explain reasons for observed variations across information search strategies used by stock investors and their impact on trading behavior. The lack of moderation in all other cases in the model exhibits that the phenomenon seems to be more complex than what the study has investigated. Hence, the study findings need revalidation in context of Nepalese stock market with future research studies exploring those relationships.

Conclusion

The main purpose of the study was to investigate whether the investor personality may influence trading behavior of stock investors when they choose to acquire financial information using key sources.

The results suggested that the sources of information used by investors as a foundation of their financial choices have a significant impact on trading frequency. It was found that financial advice, word-of-mouth communication and specialized press all have a significant positive impact on trading frequency. Using the Big Five personality framework, the study also provided empirical evidence that unique personality traits of investors moderate the relationship between sources of information and trading behavior. Word of mouth communication and specialized press increase trading frequency in investors with extraversion, agreeableness and neuroticism traits while financial advice from professionals reduces trading frequency in neurotic investors. Similarly, financial information acquired via specialized press results in more trading in investors with openness and conscientiousness traits.

Implications

The study might be among the first ones to utilize Big Five Personality framework in the Nepalese stock market to explain reasons for observed variations across information search strategies used by stock investors and their impact on trading behavior. From academic perspective, the research contributes to both information search literature and behavioral finance literature by providing empirical evidence that the impact of main sources of information used by Nepalese investors as a foundation of their financial choices is

influenced by investor personality. Findings of the study conclude that unique investor personality traits are significant predictors of variations in information source-trading link.

Proponents of personality psychology believe that personality traits are relatively stable over a period. Personality trait classification can help individual investors to achieve their investment goals by understanding their own information needs and trading habits. Investors being aware of their personality traits help them understand their trading behavior, may avoid potential biases in financial decision making and thereby enhance their overall well-being.

Financial advisors, marketers and policy makers may improve the service quality in financial markets by linking traditional financial counseling with behavioral finance. By profiling the clients based on their personality traits, advisors may increase investors' understanding of their financial needs and actions.

The findings also highlight the importance of social influence, as individual investors consult friends and family in evaluating various investment options, and word-of-mouth communication has distinct impact on the intensity of trading for various investor personality types (In this case extroversion, agreeableness and neuroticism). Hence it is suggested to enhance the practical value of social influence; companies through direct and indirect marketing efforts should design and promote campaigns and incentives messages that could trigger word-of-mouth communication.

Finally, for investor personality types who prefer to acquire information from specialized press, companies should incorporate relevant contents associated with financial products in those communication mediums and make those sources easily accessible for potential investors. To improve the effectiveness of information utilization, policy makers should understand the ability of potential investors to process information obtained from specialized press.

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Family Structure and Investment Decision of Individual Investors in Nepalese Stock Market

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Abstract

The paper aims to analyze the impact of family structure on investment decision making of individual investors in Nepalese stock market. The study was based on structured questionnaire survey to the Nepalese individual investors. With the total sample size of 400, the responses collected were analyzed through descriptive statistics, correlation and regression analysis. The findings of the study provides a consistent conclusion regarding significant impact of financial knowledge, gender and presence of children on investment decision making of individual investors. However, economic independence and marital status are found to have no significant influence on investment decision making of individual investors in Nepalese stock market. There exists positive correlation between economic independence and investment decision as well as financial knowledge and investment decision. The present study can be useful for financial advisors, consultants, analysts and decision makers to understand about the influence of family structure on investment decision of individual investors.

Keywords: family structure, economic independence, investment decision making

Introduction

The traditional finance theories explained that the investors' full rationality as the main hypothesis for a long time. The theories of traditional finance was developed on the efficient market hypothesis (EMH) and its applications. Fama (1970) defined a market as efficient if prices always fully reflect and incorporate all available information. It is based on the assumptions about investors rationality and arbitrage. According to Barberis and Thaler (2003), rationality means that when new information is received, investors update their beliefs appropriately and based upon their beliefs, investors make choices consistent with expected utility maximization. The theory of expected utility maximization implies that investors desire higher expected returns and lower risk.

However, behavioral finance contradicts with the assumptions of traditional finance and believes that investors do not always update their beliefs appropriately and do not always maximize expected utility. Such changing perceptions lead to an understanding that investors hardly act reasonably while making investment decisions. Investors Cognitive

and personal characteristics of an investor plays important role in making an investment decision. Behavioral finance deals with individuals and how they gather and use information. It analyses the way how individuals make investment decisions (Hede, 2012).

Investment may be defined as a sacrifice of money in present with the expectation of positive rate of return in future (Rao & Chalam, 2013). Investment decisions depend on the type of investors, family back ground and structure, sex, marital status, risk tolerance capacity, education, demographic profile and advice of financial experts, consultants and advisor. Among these many factors, family structure of an individual investor is one of the influential factor for his/ her investment decision making. The majority of investment decisions of the family depends on gender role (Granbois & Rosen, 1983). This indicates who is responsible for investment decisions either male or female or both. Marital status of individual creates a divided wealth among the husband and wife which affects the major investment decisions (Christiansen, Joensen, & Rangvid, 2015). Furthermore, presence of children often affects investment decisions as it increases more responsibility for the couples and family (Love, 2010).

The investment decision of an investor is often subjective. Investment decision depends on the expected costs, investors' knowledge, experience, and their risk tolerance which is entirely a subjective factor (Virlics, 2013). So, investment decision of an investor is influenced by investment expertise, motivation and propensity (Gill & Biger, 2008). These factors are the internal factors that influence the investment decision of an individual investor. However, some external factors such as neutral information, accounting information, self-image/ firm image, personal financial needs, classical wealth maximization and social relevance also affect investment decision of individual investors (Christie & Isidore, 2015). These external factors are affected by individual biases and their behavior.

This study primarily focuses on the family structure and investment decision making of individual investors in Nepalese stock market. The following section presents and discusses the focus of study, research problem, research objectives, research questions and research hypothesis.

Statement of problem

Various studies have been carried out to study about the investment decision making of individuals and their investment behavior. Jain and Mandot (2012) conducted a study in Rajasthan and found that demographic factors influence investment decision. People have different attitudes towards decision making. Some were risk seekers and some risk averse. Individual differences influences investment decision making.

Elder and Rudolph (2003) found that financial decisions were the product of a bargaining process in which the married couples with greater decision-making power and more financial knowledge had more influence over the household's financial decisions. Barber and Odean (2001) studied the behavior of individual investors in common stock investment. The study supports empirical evidence that men trades more excessively in compared to women. The study found that men were more overconfident than women in common stock investment. However, in context of Nepal, there are only few studies carried out to understand about the impact of type of family, marriage, children and gender role on investment decision of individuals. This study intends to fulfill gap by examining family structure and investment decision of investors in Nepalese stock market. This study helps to fulfill following issues:

- What is the impact of family structure on investment decision of Nepalese investors?
- Is there difference between economic independence and investment decision making of Nepalese investors?
- Is there influence of financial knowledge on investment decision making of individual investors in Nepalese stock market?

Objectives of the study

The major objective of the study is to analyze the impact of family structure on investment decision of individuals. The specific objectives are as follows:

- To examine the influence of economic independence on investment decision making of individual investors in Nepalese stock market.
- To evaluate the influence of financial knowledge on investment decision of individual investors in Nepalese stock market.
- To analyze the moderating role of gender, marital status and presence of children on investment decision of individual investors in stock market.

Research hypothesis

The following hypotheses have been proposed for the study on the basis of previous literature and earlier empirical studies. The following are the alternative hypothesis set for the study:

H1: There is significant difference between economic independence and investment decision of individual investors.

Hayhoe and Wilhelm (1995) stated that there is no significant impact of economic independence in investment decision.

H2: There is significant difference between financial knowledge and investment decision of individual investors.

Financial knowledge influences the investment decision of individual investors. Al-Tamimi and Kalli (2009) suggested that there is significant influence of financial literacy on investment decision making of individual investors of UAE.

H3: There is significant difference between gender and investment decision of individual investors.

Gill and Biger (2009) indicated that gender plays an important role in investment decision and their intensity of investment in stock significantly differs between male and female individuals. Barber and Odean (2001) highlighted that men trades more excessively than women. Rana and Vibha (2017) identified that there exists gender differences in investment preferences and men are more confident than women.

H4: There is significant difference between marital status and investment decision of investors.

Christiansen, Joensen, and Rangvid (2015) highlighted that marital status affects financial decisions. The study identified that after marriage the couples adjust their portfolios towards the preferences of their partner.

H5: There is significant difference between presence of children and investment decision investors.

Love (2010) identified that presence of children induces sharp reduction in portfolio of shares.

Literature review

In traditional finance theories, investment decisions are based on the assumption that all investors are rational and they act in a rational manner. Ricciardi and Simon (2000) opined that traditional financial theories are associated with Modern Portfolio Theory (MPT) and Efficient Market Hypothesis (EMH). Markowitz (1952) introduces a portfolio selection model known as Modern Portfolio Theory. According to Prosad, Kapoor and Sengupta (2015), the theory describes the process of optimal portfolio construction by selecting several risky securities and a risk free asset. Hence, MPT deals with maximizing expected return for a given amount of risk or minimizing risk for a given amount of expected return.

In the conventional finance, the Efficient Market Hypothesis (EMH) has been the primary assumption of finance. An efficient market is defined by Fama (1970) as a market in which price always fully reflect all information. Therefore, investors cannot use investment strategies to beat the market in the long run. There are three forms of market efficiency and they are weak, semi-strong and strong. The weak form EMH assumes that prices reflect all past information. The semi-strong form EMH assumes that prices reflect all the information

that are publicly available. The third form is the strong form EMH where private information is reflected in the prices (Fama, 1970).

The efficient market hypothesis has been one of the pre-eminent theory in the financial markets and neglects almost any potential impact of human behavior in the investment process. From the end of 1970s and the beginning of 1980s, a large number of researchers showed the criticism of this theory. The anomalies of the modern portfolio models have prompted the development of what is now known as behavioral finance (Dargham, 2010). It implies that although the efficient market hypothesis has been crucial theory in finance, a deviation of this theory leads to the formation of behavioral finance.

In contrast to traditional models, behavioral finance simply observes how investors, financial managers, and markets behave and then draws implications from the observed behavior. Ricciardi and Simon (2000) suggested that behavioral finance attempts to describe and increase understanding of the reasoning patterns of investors, including the emotional processes involved and the degree to which they influence the decision-making process. Behavioral finance is mainly divided into two parts i.e. micro and macro behavioral finance. Behavioral finance micro examined behaviors of biases of individual investors while behavioral finance macro described the anomalies in the efficient market hypothesis (Pompian, 2006). This indicates that behavioral finance comprises of micro and macro behavioral finance dealing with individual biases and anomalies respectively.

Investment decision of individual investors

According to Thapa (2013), investment may be defined as the purchase by an individual or institutional investor of a financial or real asset that produces a return corresponding to the risk expected over some future investment period.

Decision making is a very complex process and is influenced by personal, psychological, social, technical and other factors. Investment decisions of an investor is influenced by his/her past return experiences and future return expectations. Harcourt et al. (1967) reported that individuals considers on one hand expected profit and riskiness of the various potential investment opportunities to him and on the other hand, the expected cost of finance. If the expected rate of return is greater than the cost of finance, the individuals would undertake the project.

The investment decision of the investor is often subjective. His/her investment decision depends upon the expected costs, future returns, knowledge experience, expertise and his risk tolerance capacity (Virlics, 2013). This implies that investment is entirely a subjective factor where decisions should be made upon proper analysis and evaluation of risk tolerance and future expected returns.

Iqbal and Usmani (2009) examined the factors influencing the investment decision making of investors and found that the stock purchase decision is based upon the wealth maximization. The investors consider recommendations of their friends and family as well as use accounting information but most of the investment decision is based upon their own will and are not influenced by any one. The study suggested that individual investor lacks skills due to which the decision making of investors suffers.

One study (Kadariya, 2012) investigated the factors that impact on the investment decision of individual investors in Nepalese capital market. The factors include capital structure, political and media coverage, luck and financial education and trend analyses in the Nepalese capital market. The study showed that majority of the investors are youngsters and their decisions are based on the media coverage and friends recommendations as good source of information. The amount of dividend, return, equity and government regulations are considered the most important factors while taking the decision. Moreover, the study found that investors blame the market when they bear the loss and takes whole credit to their own abilities when they earn profit. Barber and Odean (2001) studied the behavior of investors in common stock investment. The study supports empirical evidence that men trades more excessively than women. The study found that men were more overconfident than women in common stock investment.

A study conducted by Maditinos, Sevic and Theriou (2007) investigated the various methods and techniques used by Greek investors in evaluation of additional investment alternatives to their existing portfolios. The study found that individual investors rely more on newspapers/ media and noise in the market for investment decisions. On the other hand, professional investors depend more on fundamental and technical analysis and less on portfolio analysis.

Khan, Afrin and Rahman (2015) investigated the factors that influence stock market investment decision of investors at Khulna city. The findings of the study depicted that market factors, hedging factors and economic factors have greater influence on investing decision making. The result also showed that annual report presenting financial ratios also influence investors' decision making in share market.

Sultana and Pardhasaradhi (2012) carried out a survey on factors influencing Indian equity investors in investment decision-making and behavior. The study found that the major factors influencing investor behavior are company information, personal and financial needs, recommendation of broker peers and friends, information related to firm image and general information.

In the study of Sawalqa (2012), the importance of different corporate financial information sources was examined among the 94 Jordanian individual investors. The survey among the Jordanian investors reported that the corporate annual reports

as most important source of information for investment decision making. The annual report was followed by other information sources such as published daily share prices, corporate web sites, newspapers and magazines, advice of friends, discussion with company staff, stockbrokers' advice and rumors respectively. Thus, the study revealed that Jordanian individual investors place more importance on written information rather than verbal information for investment decision-making.

Grinblatt and Keloharju (1999) analyzed the extent to which historical returns explains the propensity to buy and sell among the domestic and foreign investors using dataset from Finland. The study found that foreign investors tend to be momentum investors, buying past winning stocks and selling past losers while domestic investors tend to be contrarians. This implies that the portfolios of foreign investors tend to outperform the portfolios of domestic households because of these differences in investment strategy. Fisher and Montalto (2010) explored saving motives and saving horizon using the framework of prospect theory. The study indicates that emergency and retirement saving motives have significant impact on the likelihood of saving regularly. Further, longer saving horizons are also found to have significant effect on the likelihood of saving while poor health is found to have significant negative effect on the likelihood of saving. The findings also indicated that saving motives held by households differ as per their saving horizon.

One study (Jagongo & Mutswenje, 2014) demonstrated the factors influencing investment decisions at Nairobi Stock Exchange. The study found that the most important factors that influence individual investment decisions were reputation of the firm, firm's status in industry, expected corporate earnings, past performance, price per share and expected dividend by investors.

Investment expertise of investors (IEOI)

Byrne in his 2005 study suggested that improved investment knowledge and experience enable consumers to make better investment decisions (as cited in Gill, Mand, & Tibrewala , 2012) The study implies that the more accurately investors perceive risk, the better they understand the link between risk and return. Gill and Biger (2008) opined that the investor's level of knowledge is one of the principal risk attributes that impact on investment propensity. The study suggested that the relative importance of the investor's level of knowledge attribute is a function of idiosyncratic investor and asset characteristics.

Investors' motivation from an advisor (IMFA)

According to Naggy and Obenberger (1994), the recommendations of family members and friends impact on the investment decisions of investors. Taqadus et al.

(2013) conducted a study to examine the factors that influence individual investors' investment decision. The findings remarked that advocate recommendation is the least influencing category. The other least influencing factors were recommendations from friends and coworkers, current price movement in the firm's stock, religious reason, opinions from family members and broker's recommendation. The study found that accounting information was the most influencing factor among the other for investment decision making.

Investment Propensity of Investors (IPOI)

Gill and Biger (2008) examined the factors that affect Canadian investors' investment expertise and investment propensity to directly invest in the real estate market of India. The study found that degree of Canadian investors' propensity to direct investment is related to the investment expertise of investors and their perception on capital losses. The extent of these factors varies based on age and level of education of Canadian investors. Gill and Biger (2009) conducted another study to examine the effect of investment expertise, familiarity with accounting information, knowledge of neutral information and consultation with investment advisors on investment decision of Western Canadian investors. According to the empirical results, the degree of investment decision of investors is significantly related with investment expertise, knowledge of neutral information and consultation with investment advisors. Additionally, it was found that gender plays an important role and the propensity and intensity of investment in stocks differs between male and female individuals.

Family structure and decision making

Sharma (2013) proposed the definition of a "family" as:

"People related by marriage, birth, consanguinity or legal adoption, who share a common kitchen and financial resources on a regular basis."

This definition of family explains that family is an integral part of the society consisting of members who are associated by marriage, birth, legal adoption and in general single household.

Kim, Gutter and Spangler (2017) argued that the family is one of the most dominant groups that influences individuals' financial and investment behavior. This implies that family is considered as the decision making unit for many economic activities. Hanewald and Kluge (2014) investigated the impact of family structures (in terms of marriage, children, fertility rates, divorced rates) on risk attitudes and financial decision making using the German Socio-Economic Panel of study. The study found that there is relationship between individuals' risk preferences, family structure and saving and investment decisions. This implies that changes in family structure have influenced investment behavior of individuals.

The empirical evidence suggests that the married couples may engage in different influence strategies to reach financial agreements (Belch & Willis, 2002). Couples may require to negotiate with their partners when there exists differences to reach an agreement (Kim, Gutter, & Spangler, 2017). The differences and similarities in individual and family characteristics can influence financial decisions. The previous studies (Meier, Kirchler and Hubert, 1999; Vogler, Lyonette and Wiggins, 2008) suggests that partners' values, norms, expertise, and money management styles have significant impact on family financial decisions.

Love (2010) examined that how the family shocks or changes in family composition affect the saving and optimal portfolio allocation decisions. It provides evidence that widowhood among women and individuals with children induces sharp reduction in portfolio of shares. Divorce causes men to choose much riskier portfolios in contrast to women resulting to reallocation of their existing portfolios. It indicates that changes in family composition also affect the portfolio allocation decision.

Christiansen, Joensen, and Rangvid (2015) also investigated how marital status affect the financial decisions. The study reported that women increase the investment in stocks after marriage and decrease it after divorce in compared to men. It also indicates that after marriage, the couples adjust their portfolios towards the preferences of their partner.

Barasinska, Schafer, and Stephan (2012) investigated the relationship between the composition of financial portfolios and willingness to take risks based on household survey data from German Socioeconomic Panel (SOEP). The study found that risk averse households tend to hold incomplete portfolios with more risk-free assets. Moreover, the study also suggested that the households tend to acquire additional assets if their liquidity and safety needs are met.

Bertocchi, Brunetti, and Torricelli (2009) studied the impact of gender roles and marital status on financial decisions. The study found that married women tends to take more risk than single women which shows that marriage acts as a safe asset for portfolio decisions by women. Rana and Vibha (2017) pointed out that married individuals faces challenges to manage money as they have to discuss with their spouses before making any financial plan. The study provided empirical evidence on the ground that how the marital status of individuals affects their investment preferences, investment avenues, risk capacity and portfolio allocation.

Barnett and Stum (2013) investigated the role of spousal decision making on purchasing long-term care insurance (LTCI) using theories of family decision making. The findings of the study indicated that spousal decision making process as well as consensus play an important role in LTCI purchase decisions but decisions differ in ways depending on gender. This implies that gender influence the long-term purchase decision of the families.

In the cooperative bargaining framework, each individual partner has different predisposition but individuals with more competence/power in households are likely to make financial decisions. Yilmazer and Lyons (2010) studied the effect of marriage and the allocation of assets in women’s defined contribution plans using data from the Survey of Consumer Finances. The study reported that spouses with more bargaining power (more resources) can influence household decisions in favor of his or her preferences. Several studies found supporting evidence for the bargaining model in spousal financial decision making in savings, spending, investing, and insurance (Bernasek and Bajtelsmit, 2002; Yilmazer and Lyons, 2010).

Theoretical framework

In this study, investment decision making is taken as dependent variable. The investment decision making is measured with the help of three proxy variables; investment expertise of investors, investors’ motivation from an advisor and investment propensity of an investors. The independent variables are financial knowledge and economic independence in investment decision making. Gender, marital status and presence of children are considered as moderating variable under study. The theoretical framework developed for the study can be presented as below:

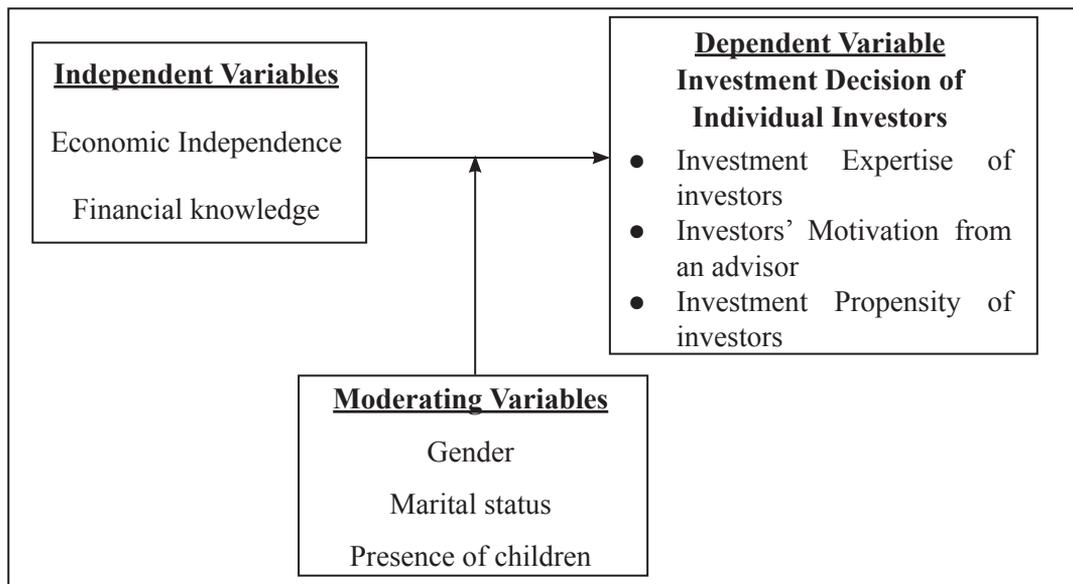


Figure 1 *Theoretical Framework*

Dependent variable

Investment decision of investors: Investment decision making is a process by which investors commit or sacrifice a sum of money in order to derive future payments that will compensate an investor for (1) the time the funds are committed, (2) the expected rate of inflation during this time period and (3) the uncertainty of future payments (Reilly & Brown, 2012). The investment decision of an investor is often subjective. The decision depends on the

expected costs, investors' knowledge of the improved techniques and their risk perception, which is entirely a subjective factor (Virlics, 2013). In order to measure investment decision of investors, Investment Expertise of Investors (IEOI), Investment Motivation from an Advisor (IMFA) and Investment Propensity of an Investor (IPOI) are used as a proxy variable (Gill, Mand, & Tibrewala, 2012). These proxy variables are the internal factors that influence individual investors towards their investment decision. The measurement of dependent variable and their proxy variables are further explained in the table below:

Table 1

Dependent variable and its proxy variables

Dependent variable	Investment Decision of Individual Investors	Measured as the extent to which Nepalese investors perceive that they allocate proportion of their total individual portfolio (e.g., personal savings, business, etc.) in the stock market
Proxy variables	Investment Expertise of Investors (IEOI)	Measured as the extent to which investors are experienced and understand the Nepalese stock market risk
	Investors' Motivation from an Advisor (IMFA)	Measured as the extent to which broker, family members, and friends motivate Nepalese investors to invest in the stock market
	Investment Propensity of Investor (IPOI)	Measured as the extent to which Nepalese investors are inclined to invest in the Nepalese stock market to: i) get rich quickly, ii) diversify risk, and iii) obtain higher rate of return

Source: Adapted from (Gill , Mand, & Tibrewala, 2012)

Independent variables

Economic independence: Economic independence determines gender role in the investment decision of individuals. In other words, economic independence will determine the level of influence of male and female in the investment decision and investment behavior. Bartley, Blanton and Gilliard (2005) defines gender role as the behaviors and attitudes prescribed and assigned to male and female members by the culture based on gender. The study has shown that more women are found to engage in day-to-day money management whereas men are more engaged in long-term decisions such as investment (Gerrit, 2011). Gender differences influences decision making of every family. Men and women are equally involved in investment decision making. In some traditional joint families, gender gap is still present where men dominate the financial sector and were the primary decision makers.

In contrast, the new modern nuclear families has almost a gender equality where both men and women work. Jawaheer and Vikneswaran (2016) analyzed the gender difference and its impact whether they act differently when it comes to investment decision making. Granbois and Rosen (1983) explained gender/sex roles as important in determining role structure in family financial management.

Financial knowledge: Financial knowledge determines the level of literacy of an individual investors. Al-Tamimi and Kalli (2009) analyzed the impact of financial knowledge on investment decision and found that there is significant impact of financial knowledge on investment decision and behavior of investors. Ellsberg (2002) found that on average women knew less about personal finance than men. Financial knowledge of family members also influence the way individual investors make investment decision. Although financial education can help couples increase marital satisfaction, Muskie and Winter (2001) indicated that minority of couples actually implemented the financial practices that improve couple relationships.

Research methodology

The study was based on descriptive and analytical research design to examine the impact of family structure on investment decision making of Nepalese investors. The methodology used for the study was researcher administered standard questionnaire based survey. Pertinent data and information required for the study was collected, evaluated and analyzed systematically.

Population and sampling

The population for this study comprised of all the individual investors who invest in Nepalese stock market. The required data and information was collected from individual investors. There was no exact data about the number of investors in stock market, the total population of Nepalese investors was unknown. Since the total population was unknown, convenient sampling method was adopted to collect data. For the purpose of data collection, the questionnaire were distributed to the individual investors visiting the banks, finance companies, broker houses and investment companies. The data was collected from the investors who visited these financial institutions during the survey period. After observing individuals of different brokerage firms for the survey period, the questionnaires was presented only to the active investors in order to obtain true picture prevailing in present context. Therefore, 400 investors were selected for the study and considered as sufficient to serve the purpose of study.

Nature and sources of data

This study was purely based on primary data. Primary data were obtained by conducting questionnaire survey from the individual investors. Questionnaires with close ended questions were distributed to collect the information from investors.

Survey instruments

The structured questionnaire was divided into five sections. The first section included general introduction regarding the study and demographic variables. The second section will comprise questions related to investment pattern. The third and fourth section comprised of 5 point Likert scale questions to collect information regarding economic independence and financial knowledge in investment decision making respectively.

Finally, the fifth section incorporated the questions regarding investment decision of investors. The investment decision of investors based on investment expertise of investors, investment motivation from advisors and investment propensity to invest was measured using 5 point Likert scale.

Data analysis

The data obtained from the questionnaire survey was processed using Statistical Package for Social Science (SPSS) software. Different statistical tools like descriptive statistics, Cronbach's alpha test, correlation and regression analysis was done for the analysis of dependent, independent variables and moderating variables.

Cronbach's alpha test

The reliability analysis was conducted using the Cronbach's analysis. This approach was used to test the internal consistency and reliability of measurements. Nunnally (1978) suggested 0.7 to be an acceptable reliability coefficient but lower thresholds are sometimes used in the literature. Hence, this study considered the acceptable Cronbach's alpha to be 0.7 or more and the Cronbach's alpha test was done by SPSS software.

Descriptive statistics

The demographic variables was explained through descriptive statistics. Frequency, percentage and mean were computed to describe the variables.

Correlation

Correlation analysis is used to identify the direction and magnitude of relation between the set of variables. The relationship among the dependent variable and independent variables has been explained by using Karl Pearson correlation coefficient.

Regression analysis

Multi-linear regression analysis is used to find out the influence of independent variable over the dependent variable solely and combined with other moderating variables (Statistics Solutions, 2018). The regression model for the study has been proposed as below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + ei \dots\dots\dots (i)$$

Where, Y = Investment decision of individual investors

X₁ = Economic independence

X₂ = Investment knowledge

X₃ = Gender

X₄ = Marital status

X₅ = Presence of children

Table 2
Coding of Variables

Variables	Coding
<u>Dependent variable</u>	
Investment decision of individual investors	Continuous scale
<u>Independent variables</u>	
Gender	
Male	1
Female	0
Marital Status	
Married	1
Unmarried	0
Presence of children	
Yes	1
No	0
Economic Independence	Continuous scale
Financial Knowledge	Continuous scale

Table 2 presents coding of variables used under study. For the analysis gender is coded as male and female, marital status is coded as married and single, presence of children is coded as yes or no. The other variables are coded as continuous scale.

Analysis and results

Demographic characteristics of respondents

The demographic profile of respondents intends to describe the status of respondents according to variables such as gender, marital status and presence of children.

Table 3
Profile of the respondents

Characteristics	Frequency	Percent
Gender		
Male	240	60.0
Female	160	40.0
Marital status		
Married	201	50.3
Unmarried	199	49.8
Presence of children		
Yes	194	48.5
No	206	51.5

Table 3 presents profile of the respondents. Among 400 respondents, 60% comprises of male and remaining 40% comprises of female respondents. The above table also demonstrates the respondents in terms of their marital status and presence/ absence of children. Majority of 50.3% of the respondents are married and remaining 49.8% of the respondents are unmarried. 48.5% of the respondents have children and remaining 51.5% have no children.

Measurement of reliability test using Cronbach's alpha

In this study, Cronbach's alpha is calculated to measure the reliability of the item scales of continuous dependent and independent variables. The calculation of alpha value for reliability test of Likert scale questions was carried out which has been presented in the table 4.

Table 4
Reliability statistics

Variables	No. of items	Cronbach's alpha
Proxy of Investment expertise of investors	2	0.838
Dependent Investors' motivation from an advisor	3	0.754
variable Investment propensity of investors	3	0.873
Independent Economic independence	3	0.752
variables Financial literacy	5	0.745

Table 4.2 illustrates the reliability statistics of item scale. The data presented show the Cronbach's alpha value for the constructs used in the study. The Cronbach's alpha for every proxy variables and independent variables is greater than 0.7 which indicates an acceptable degree of reliability. The questionnaire was pre-tested by taking response from 30 research participants. After ensuring that the reliabilities obtained were correct, the questionnaires were distributed accordingly.

4.3 Trading frequency of investors

The respondents were asked about their trading frequency in stock market. The options provided were sometimes, often and regularly. The frequency and percent analysis was done to ascertain the majority of investors' trading frequency in stock market.

Table 5

Trading frequency of investors in stock market

Trading Frequency	Frequency	Percent
Sometimes	197	49.25
Often	112	28.00
Regularly	91	22.75
Total	400	100

Table 5 highlighted that 49.25 percent investor's trade sometimes in the stock market whereas, 22.75 percent trade regularly and 28 percent investors trade often in the stock market. It implies that majority of the investors' trade sometimes in the stock market.

Purpose of investment

The respondents were asked about their purpose of investment with a multiple response question. The option provided were investment to gain return during a short span, gain return over a long span, get safety and security of funds, enhance investment knowledge and get tax benefits.

Table 6

Purpose of investment

Purpose of investment	Male			Female		
	N	Percent	Rank	N	Percent	Rank
To gain return during a short span	132	30.91	2	97	24.94	2
To gain return over a long span	141	33.02	1	110	28.28	1
To get safety and security of funds	82	19.2	3	77	19.79	3
To enhance investment knowledge	38	8.9	4	50	12.85	5
To get tax benefits	34	7.96	5	55	14.14	4
Total	427	100		389	100	
Rank Correlation Coefficient (Spearman's rho)						0.900*
Sig. (2-tailed)						0.037

Note: N = Total number of respondents

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

Table 6 shows that majority of male respondents (33.02 percent) and female respondents (28.28 percent) invested with a motive to gain long term return; the other purpose in priority for both male and female respondents were to gain short term return and safety as well as security of funds. The other purpose in priority for male were to enhance investment knowledge whereas for female respondents is to get tax benefits. However, for male respondents getting tax benefits is the fifth priority among the given choice of purpose of investment.

The rank correlation coefficient of 0.900 has been obtained which is statistically significant at 5 percent level of significant (2 tailed). This indicates that there is a significant correlation between the rankings of purpose of investment by male and female investors at 0.05 level of significance.

Most preferred sectoral investments in stock market

The respondents were asked to rank their most preferred sector for investments in Nepalese stock market from 1 (most preferred) to 5 (least preferred). The options provided were banks, insurance, microfinance, hydro-power and mutual funds.

Table 7

Most preferred sectoral investments in stock market

Investment sectors	Mean	Rank
Bank	2.70	1
Insurance	3.02	2
Microfinance	3.20	3
Hydropower	3.69	4
Mutual funds	3.70	5

Table 7 illustrated the most preferred sector of investment in Nepalese stock market. The mean value have been calculated by assigning scores 1 through 5 for rankings from the 'Most preferred' to 'Least preferred' The mean value of sectoral investments for bank, insurance, microfinance, hydropower and mutual funds is 2.70, 3.02, 3.20, 3.69 and 3.70 respectively. It indicates that the most preferred sectoral investment is bank and least preferred sector for investment is mutual funds.

Correlation analysis

Table 8 reveals the relationship between different pairs of variables, namely, investment decision of individual investors, economic independence and financial knowledge.

Table 8

Pearson Correlation matrix

		Investment decision	Economic independence	Financial knowledge
Investment decision	Pearson Correlation	1		
	Sig. (2-tailed)			
Economic independence	Pearson Correlation	.092	1	
	Sig. (2-tailed)	.067		
Financial knowledge	Pearson Correlation	.103*	.020	1
	Sig. (2-tailed)	.040	.684	

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

According to the results reflected in table 8, the correlation coefficient between economic independence and investment decision is 0.092. It shows positive correlation between economic independence and investment decision. The significant p-value is 0.067 which is insignificant at 5 percent level (2 tailed) but significant at 10 percent level of significance. This indicates that there is no significant relationship between economic independence and investment decision at 5 percent level of significance.

According to the results reflected in table 8, the correlation coefficient between economic independence and investment decision is 0.092. It shows positive correlation between economic independence and investment decision. The significant p-value is 0.067 which is insignificant at 5 percent level (2 tailed) but significant at 10 percent level of significance. This indicates that there is no significant relationship between economic independence and investment decision at 5 percent level of significance. Similarly, investment knowledge is also positively correlated at 5 percent level of significance (on a two tailed test). The significant p-value at 5 percent level of significance indicates that there is significant relationship between financial knowledge and investment decision.

Regression analysis

Multi-linear regression analysis is used to analyze the impact of independent variables with the dependent variable by considering the possible influence of demographic variables as well. The result of regression analysis are shown in table 9. Table 9 represents independent variables as economic independence and financial knowledge. The dependent variable in the study includes investment decision. The possible influence of demographic factors: gender, marital status and presence of children are also regressed with the dependent variable.

The p-value for model-1, model-2, model-4 and model-5 is statistically significant at 5 percent level of significance. In model 3, the p-value is more than 0.05 which is statistically insignificant at 5 percent level of confidence but statistically significant at 10 percent level of significance. This indicates that gender and presence of children are strong predictors of investment decision of individual investors.

Table 9

Regression results of relationship of different variables with investment decision

	Model 1	Model 2	Model 3	Model 4	Model 5
Constant	2.138 (0.000)	1.945 (0.000)	2.15 (0.000)	2.254 (0.000)	2.007 (0.000)
Economic independence	0.097 (0.073)	0.094 (0.079)	0.095 (0.084)	0.079 (0.146)	0.081 (0.134)
Financial knowledge	0.113 (0.044)	0.123 (0.027)	0.113 (0.044)	0.117 (0.036)	0.131 (0.017)
Male (reference)	-	-	-	-	-
Female	-	0.285 (0.004)	-	-	0.305 (0.002)
Married (reference)	-	-	-	-	-
Unmarried	-	-	-0.016 (0.871)	-	0.299 (0.060)
Presence of children-Yes (reference)	-	-	-	-	-
Presence of children-No	-	-	-	-0.173 (0.081)	-0.447 (0.005)
R square	0.029	0.039	0.019	0.026	0.158
F-value	3.746	5.324	2.500	3.533	4.891
P-value	0.024	0.010	0.059	0.015	0.000

**Figures in parenthesis represents corresponding p-values*

In model-1, economic independence and financial knowledge is regressed with investment decision of individual investors. The p-value of economic independence is greater than 0.05 which shows that there is insignificant relationship between economic independence and investment decision. This implies that the influence of male and female members of the family is statistically insignificant with the individual investors' investment decision making in the stock market. The beta coefficient 0.097 indicates that for every 1 unit increase in economic independence, the investment decision increases by 0.097. However, model-1 shows significant relationship between financial knowledge and investment decision at 5 percent level of significance. This indicates that the investment knowledge of the individual

investors influence their investment decisions in stock market. The beta coefficient 0.113 indicates that for every 1 unit increase in financial knowledge, the investment decision increases by 0.113. The value of R square 0.029 explains that 2.9 percent of variance in investment decision is explained by economic independence and financial knowledge.

In model-2, demographic variable gender along with other independent variables is regressed with dependent variable. The beta coefficient for female is 0.285 which explains that female investors influence 0.285 point more than male investors. The p-value of variable female is less than 0.05 which indicates that there is significant difference in investment decision between male and female investors. Thus, there is significant relationship between gender and investment decision of individual investors. In model-3, the beta coefficient for unmarried investors is -0.016 which explains that unmarried investors influence 0.016 point less than married investors in investment decision. The p-value of variable unmarried investors is greater than 0.05 which indicates that there is no significant difference in investment decision among married and unmarried investors.

In model-4, the beta coefficient for investors without children is -0.173 which explains that investors without children influence 0.173 point less than investors with children. The p-value of variable investors without children is greater than 0.05 which indicates that there is no significant difference in investment decision among investors with and without children at 5 percent level of significance but significant at 10 percent level of significance. Model-5 explains 15.8 percent of variance in investment decision after controlling for the effects of demographic variables. Moreover, p-value is also statistically significant at 5 percent level of significance. Therefore, the study concludes that economic independence and financial knowledge explains additional variance in investment decision beyond that accounted for by the demographic variables.

Conclusion and implications

Conclusion

The study focuses on impact of family structure on investment decision making of individual investors. As per the demographic profile of Nepalese investors, the majority of the respondents were male investors. Similarly, majority of respondents were young and energetic population groups involved in stock market investment whose age group ranges from (15-25) years. Majority of the respondent trade sometimes in the stock market and least number of individuals trade regularly in the stock market.

The study showed that there is positive correlation between economic independence and investment decision making as well as financial knowledge and investment decision making. This indicates that there is positive association between economic independence

and investment decision making as well as financial knowledge and investment decision making. The significant p-values in Pearson correlation coefficient shows that there is no significant relationship between economic independence and investment decision making at 5 percent level of significance but significant at 10 percent level of significance. Similarly, there is significant relationship between financial knowledge and investment decision at 5 percent level of significance which shows that there is significant influence of financial knowledge on investment decision of individual investors in stock market.

Out of five alternative hypothesis, hypothesis 2, 3 and 5 were accepted whereas hypothesis 1 and 4 were rejected. Financial knowledge have significant impact on investment decision of individuals in stock market. Similarly, gender and presence of children play significant moderating role on investment decision of investors in stock market. Female individuals were found to be more influencing than male investors in investment decision. However, economic independence and marital status have no significant impact on investment decision of individual investors. Married individuals were found to be more influencing on investment decision than the unmarried individuals in stock market. The insignificant p-value for marital status indicated that there is no sufficient evidence to prove that there is significant relationship between married and unmarried investors on investment decision.

Implications

The results of the study may have valuable implications for financial decision makers of the family and other policy makers of financial institutions. Investment is not a game but instead a planned action which can affect investors' interest in future. Major family decisions are affected by marriage, children, family structure, gender role, economic independence and financial knowledge. On the basis of findings of our study, future investment planning is very important for better investment performance of individual investors. Moreover, the major investment decisions should be communicated with the members of family.

Individuals experience varied changes in different phases of life once they are married, have children or get separated through divorce or widowhood in their life. Their wealth either increases or divides; spending pattern changes in relation to housing and children; and new expectations are formed regarding future income, longevity, and bequests. The findings of the study also provides insights to the financial consultants, advisors and analysts about impact of family structure on investment decision making. They can advise and recommend better investment planning to the investors.

The majority of the investors are concentrated more to the banking sector and less to mutual fund investment. Financial institutions needs to make people aware about mutual fund investment also. There is a need to study why investors are concentrated only on banking sector in stock market and less on other sectors. There is also a need to diversify

the investment sector of Nepalese stock market by making other sectors such as investment in real estate.

There are different areas for future studies for understanding changes in family composition and its effect on investment as well as financial decision making. Since, the study has used only investment expertise, investors' motivation from an advisor and investment propensity which are internal factors of an investor for investment decision as a proxy variable, future studies can be conducted by incorporating other proxy variable such as risk tolerance of individuals as well as investment performance based on past performance, rate of returns and expected returns. Furthermore, the future research can incorporate divorced and widowhood as another measure for family structure in investment decision making.

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Employees' Emotional Status and Service Performance in Hospitality Industry in Nepal

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Abstract

Employee behavior during service delivery is often perceived by customers as the most critical aspect of service quality. Management of feeling to create a publicly observable facial and bodily display is vital in this concern. In this regard, emotional labor strategies are particularly important in the context of customer service. Thus, this study was conducted to examine the emotional status, emotional exhaustion of employees and its impact on their service performance in Nepali hospitality industry. A sample of 250 employees from hospitality organization on the basis of convenience was considered for the study. The interaction of effects of emotional labor to emotional exhaustion and service performance was established. Equally important this study supports the notion of full mediation effect emotional exhaustion. Overall it implies that emotional labour is directly related to the emotional exhaustion of the employees, which have an interconnection to the service performance.

Keyword: Emotional labour, emotional exhaustion, job performance.

Introduction

There are wide variety of employee behaviour in a workplace. It comprises of various sequences of actions to be carried out by the employees, particularly in hospitality organization. Employees in hospitality organisation have a direct interaction with the customers or the guest. In view of this, some of these behaviors may be positive and refer to the constructive actions of employees on behalf of the organization, employees and customers (Bowen & Shoemaker, 1998), while further behaviors may be negative and may destroy a productive work environment. Negative behaviour can be costly for the organisation as well as to the employees. It also has the consequences of driving away customers; damaging employees' morality and increasing their turnover rates. In positive side, it maintains the customer satisfaction by fulfilling the promises made to the customer and as well maintain service quality. The service employees are considered to have responsibilities spanning boundaries between internal organizations and external customers (Cadwallader et al., 2010; Coelho et al., 2011). Therefore, employees' behaviors have influences on customer perception of service quality and on customer satisfaction (Saad & Amy, 2007).

In similar way, emotion was recognized as one of the element of labour. As the service industry has developed, employees, who are asked by organizations to hide their emotions and display emotions customers want, have increased rapidly. Emotional labor strategies are particularly important in the context of customer service, because employee behavior during service delivery (e.g., empathy, responsiveness) is often perceived by customers as the most critical aspect of service quality (Bitner et al., 1990). Hochschild (1983) termed regulation of one's emotions to comply with occupational or organizational norms as "emotional labor". Likewise, emotional labor has been conceptualized primarily as a duty of front line service employees (Ashforth & Humphrey, 1993; Ashkanasy & Daus, 2002; Brotheridge & Grandey, 2002; Morris & Feldman, 1996; Rafaeli & Sutton, 1987).

Employees that are emotionally and/or psychologically damaged because of workplace incivility, often experience emotional exhaustion, as they invest extra effort to avoid having to endure incivility. Emotional exhaustion, a product of psychological strain, is defined as feeling tired and fatigued at work and represents emotional depletion derived from excessive job and/or personal demands and continuous stress (Wright & Cropanzano, 1998). Employees experiencing workplace incivility often experience high levels of emotional exhaustion. Jung and Yoon (2014) explains that restaurant (can be consider as hospitality also) employees face stressful workplace situations on a daily basis because they are more likely to be exposed to unexpected situations involving serving unhappy customers and also because of being mistreated by restaurant managers or coworkers. In particular, Jung and Yoon (2014) document that restaurant employees face stressful workplace situations on a daily basis because they are more likely to be exposed to unexpected situations involving serving unhappy customers and also because of being mistreated by restaurant managers or coworkers.

Therefore, for the service-oriented industry, its survival will depend on how service encounters are managed. So forth, performance of emotional labor is associated with both positive and negative consequences on both the employee and hospitality organization depending on the coping strategies employed. To sustain the economic, social and other benefits from hospitality sector is vital in a long run. One of the components of sustainability in this regard is to sustain the quality of the services and the satisfaction of the customers. Sustaining the quality of the services depends on emotional status of the employees. Thus, this study is conducted to examine the emotional status, emotional exhaustion of employees and its impact on their service performance in Nepali hospitality industry.

Literature review

Emotional labour and its dimensions

The term emotional labor was first introduced by the American sociologist Arlie Russell Hochschild in 1983. Her research was in the airline industry and focused particularly on the emotional work of flight attendants. Since, then the concept by Hochschild (1983),

refined by researcher like Ashforth and Humphrey (1993), Morris and Feldman (1996), and Grandey (2000). According to Hochschild (1983), emotional labour is the regulation of one's emotions to comply with occupational or organizational norms. It is also defined as the management of feeling to create a publicly observable facial and bodily display; emotional labor is sold for a wage and therefore has exchange value (Hochschild, Irwin, & Ptashne, 1983). The display of these emotions have economic value in an organisation. Likewise, Ashforth and Humphrey (1993) includes the idea of social identity to study emotions and expression in work. Ashforth and Humphrey (1993), defined emotional labor as the act of displaying the appropriate emotion. This highlights the actual behavior rather than the presumed emotions underlying the behavior. Morris and Feldman (1996, 1997), defined it as the effort, planning, and control needed to express organizationally desired emotion during interpersonal transaction. According to Grandey (2000), emotional labor is the process of regulating both feelings and expressions for organizational goals. Emotional labor involves adhering to display rules regardless of one's true feelings. These display rules are derived from formal job requirements as well as unwritten social norms for emotional expression (Diefendorff & Richard, 2003).

Several literature presents emotional labour in a multi-dimensional construct, different researchers present different dimensions. Hochschild (1983), Grandey (2003), Totterdell and Holman (2003) discussed emotion labor into surface acting and deep acting. Surface acting is hiding felt emotions and faking unfeeling emotions. Alternatively, deep acting is another emotional labor strategy in which individuals modify felt emotions so that genuine displays of emotion follow.

Likewise, emotional labor can be categorized into three dimensions as stated by Hochschild, Irwin and Ptashne (1983). These dimensions are: Deep acting, surface acting and Genuine Emotions. Deep acting is an attempt being shown by employees through which they feel and think the desired emotions workplace and context (Kim, 2008). Likewise, surface acting is category of emotional labor in which verbal, intentional, and nonverbal emotions are discussed (Chau, Dahling, Levy, & Diefendorff, 2009). Further, genuine emotion is the sub category of emotional labor in which employees show clear and genuine emotions towards workforce while performing tasks.

Further, Morris and Feldman (1996) proposed four dimensions: frequency of emotional labor, attentiveness of emotional labor, variety of emotional labor, and emotional dissonance. Kruml and Geddes (2000) asserted that emotional labor indeed has two dimensions: emotive effort and emotive dissonance. Kruml and Geddes (2000) includes the dimensions of deep acting, surface acting and genuine emotions of Hochschild's (1983) within the two dimensions. However, Morris and Feldman (1996), Krumland and Geddes (2000), emotional labour depends on situational factors such as routineness of task, form of interaction, and job autonomy. Emotive Dissonance in other hand defined as maintaining a difference between feeling and feigning (Hochschild, 1983).

In similar manner, emotional exhaustion is one of the three major components of Maslach's Burnout theory (Maslach, 1993). It is the state of fatigue as well as physical exhaustion (Cole, Bernerth, Walter, and Holt, 2010). The previous literature has argued that emotional exhaustion is most prevalent in service-oriented workplaces (Choi and Lee, 2010). Lack of energy and a feeling that one's emotional resources are used up because of excessive psychological demands (Maslach, 1993). Likewise, employee service performance is the behaviors that are relevant to organizational goals and that are under the control of individual employees (Campbell, McCloy, Oppler, and Sager, 1993).

Emotional labor and service performance

Goffman (1969), Rafaeli and Sutton (1987) suggests that displayed emotions can serve as control moves, it is individual's strategic manipulation of emotional expressions designed to influence the behavior of others. Several authors have considered both outcome- the positive outcome as well as negative outcome of performing emotional labor. Rotundo and Sackett (2002), Bitner, Booms, and Tetreault (1990), Bowen and Schneider (1988) focused employee performance, actions and behaviors that are controlled by the individual and contribute to the goals of the organization. Diefendorff and Richard (2003), Brotheridge and Lee (2003), Diefendorff et al. (2005), Schaubroeck and Jones (2000) found that expressing positive emotions is positively related to employee positive emotional displays and performance. Likewise, Morris and Feldman (1996), found emotion is essential and determined by the organizations has started to become important factor of the service performance. Further, Grandey (2003) found that job performance can be shown as one of the most common outcome of emotional labor invested by employees. Likewise, researchers like Ashforth and Humphrey (1993), James (1989), Tolich (1993), Wharton (1996), Wharton (1993), Wharton and Erickson (1995) positive outcomes including personal fulfillment and meaning as well as increased job satisfaction revealed positive outcomes for those individuals who performed emotion work compared to those who did not. In similar manner, studies of several researchers revealed a negative consequence of emotional labour. Few researchers like Hochschild's (1983) suggested a negative outcome of emotional labour on employees including burnout, job dissatisfaction, feelings of inauthenticity, drug and alcohol abuse, and absenteeism. Thus, key to separating the mixed results concerning consequences of performing emotional labor may lie in how researchers have conceptualized and measured emotional labor.

This leads to the first study hypothesis for this research:

H1. Emotional labour has a significantly positive effect on service performance.

Emotional labor and emotional exhaustion

Seery and Corrigan (2009) outlines that emotional arousal continues and becomes a linking mechanism between emotional labor and lower physical and emotional health because it requires energy and effort, leaving the body with fewer resources for other tasks. Studies like Hochschild (1983), Morris and Feldman (1996), Hargreaves (2000), Erickson and Ritter (2001), Sutton and Wheatley (2003), Lois (2006), Isenbarger and Zembylas (2006), Naring,

Briet, and Brouwers (2007), Zhang and Zhu (2008), Chang (2009), Noor and Zainuddin (2011), highlighted the relationship of emotional labour and emotional exhaustion in hospitality industry. According to Shin, Hur and Oh (2015), when the employees use deep acting were found to be less emotionally exhausted and, those who selected surface acting were shown to suffer more emotional exhaustion. These studies concluded that there is a direct relationship between emotional labor and emotional exhaustion. Similarly, Lee et al. (2016) indicated that deep acting plays a positive role in mitigating employees' job stress, while surface acting increases job stress by exhausting employees' emotional resources during service. According to Bono and Vey (2005) emotional labor is linked positively with emotional exhaustion. In similar manner, Abraham (1998), Kruml and Geddes (2000), Cote and Morgan (2002), Zammuner and Galli (2005), Grandey et al. (2005), Zapf and Holz (2006) has documented the same links emotional labour to emotional exhaustion. Additionally, Brotheridge and Lee (2003), Grandey (2003), Montgomery et al. (2006), Naring et al. (2006), Martinez-Inigo et al. (2007), Judge et al. (2009), Blau et al. (2010), Grandey et al. (2012), found that emotional labor had a significant positive relationship to emotional exhaustion. Blau, Bentley and Eggerichs-Purcell (2012), in their study with three different samples found consistent surface acting had a significantly stronger positive impact than deep acting on work exhaustion. Venkatesh and Balaji (2013) found surface acting gives birth to workplace related issues and personal problems in the form of stress and dissatisfaction, so forth can lead to exhaustion. Thus, emotional labor can generate job stress which is an unbalanced and intensive psychological state caused by the difference between employee's resource or capability and work requirements (Selye,1965).

This leads to the second study hypothesis:

H2. Emotional labour has a significantly positive effect on emotional exhaustion.

Emotional exhaustion and service performance

Employees' emotional, psychological and physical conditions have been found to be important determinants of service quality provided to customers (Mayer, 2002). Expressing positive emotions and suppressing negative emotions are always expected in an organisation. These display rules have been linked to a variety of well-being and performance-related outcomes (Diefendorff & Richard, 2003; Schaubroeck & Jones, 2000). Cropanzano (2003) highlights emotional exhaustion can have a harmful effect on the service performance of an employee and in succession on the productivity of the organization. Belcastro (1982), Belcastro and Hays (1984) highlighted that emotional exhaustion is associated with a host of somatic difficulties, such as colds, gastro-intestinal problems, headaches, and sleep disturbances. Thus, lead to poor performance. Likewise, the study of Jones (1981), Quattrochi-Turbin, Jones, and Breedlove (1983), Wright and Bonett, (1997) shows emotional exhaustion correlates with counterproductive work behavior, and job performance. In a study of salespersons in Australia, Lo, Cravens, Grant, and Moncrief (2001) found a negative impact of exhaustion on performance, Similarly, Maslach and Jackson (1981), Wright and Bonett (1997) found negative significant relationship between emotional exhaustion and

service performance. Bonn, Han, and Lee (2016) study found that workplace incivility significantly increases emotional exhaustion and further leads to low levels of job service performance. The study of Choi *et al.* (2014) shows that emotional exhaustion leads service employees to becoming impatient, causing them to maintain psychological distance from their customers. There is a consensus of the literatures that emotional exhaustion has been associated with work outcomes such as stress and decreased job satisfaction (Wright and Cropanzano, 1998), withdrawal behaviors (Deery *et al.*, 2002), and general declines in mental health (Ramirez *et al.*, 1995) and subsequently in lower job performance. Bakker and Demerouti (2007), Llorens *et al.* (2006) found that employees' physical and emotional resources, and therefore, may lead to burnout/emotional exhaustion and to negative health and job outcomes. Therefore, in a nutshell, it can be summarized with this views, that fatigued employees show poorer job performance.

This leads to the third study hypothesis for this research:

H3: Emotional exhaustion has a significantly negative effect on service performance.

Mediating effect of emotional exhaustion

Undeniably, it has been consistently revealed in the literatures that emotional labour increases levels of emotional exhaustion. In consequence, service employees who engage in emotional labour become emotionally depleted, which leads focal employees to possess insufficient motivational energy to invest in exhibiting creativity (Shin, Hur, & Oh, 2015). Shin, Hur and Oh (2015), suggests that emotional exhaustion mediates the relationships between emotional labor strategies and employee creativity. Additional, Amabile (1988) shows the aspect of the mediating role of emotional exhaustion, emotional laborers' motivational resources seem to function as the intervening factors between emotional labor strategies and service employee creative performance. Likewise, Ashforth and Humphrey (1993), Ashforth and Tomiuk (2000), Brotheridge and Lee (2002), nearly suggests similar mediating effect of emotional exhaustion from their respective studies. In the similar manner, the study of Karatepe (2013) and Bakker *et al.* (2005) suggests that emotional exhaustion functions as a full mediator of the effects of work overload, work-family conflict, and family-work conflict on job embeddedness and job performance. Excessive job emotional demands elevate employees' emotional exhaustion, because emotional exhaustion develops as a reaction or a response to excessive job demands or work overload in frontline service jobs (Karatepe, 2013). Hur, Moon and Jun (2016), study findings reveal a negative relationship between workplace incivility and service employees' creativity that is fully and sequentially mediated by the service employees' emotional exhaustion and intrinsic motivation to performance. Similarly, Ferguson (2012), Sliter *et al.* (2010), Geng *et al.* (2012), Huret *et al.* (2015), Coelho *et al.*, 2011, Hon *et al.*, 2013, Hon and Chan (2013), confirms the mediating effect of emotional exhaustion between workplace incivility and employee outcomes.

This leads to the fourth study hypothesis for this research:

H4. Emotional exhaustion mediates the effect of emotional labor on service performance.

Research gap

Employee stress and its affects have been widely studied in the West, leading to many practical recommendations that go far in reducing employee suffering and increasing firm efficiencies and effectiveness (Ruppel, Sims, and Zeidler, 2013). Emotion of individuals, as members of organizations, has long been the topic of research in business administration. The concept of emotional labor in the past was studied in terms of sales and profit increase based on organizational effectiveness, whereas few studies are in terms of the value of individuals. The literatures show, most of the research concerned only about the emotional labor and emotional exhaustion. The interaction of emotional labour, emotional exhaustion and service performance in one model is still limited. Further, few established links between emotional status and service performance are mentioned in present are limited in the context of Nepalese hospitality sector. This research pursued to fill this informational gap in the context of emotional labour, exhaustion and service performance in hospitality sector. The study framework is presented in figure 1.

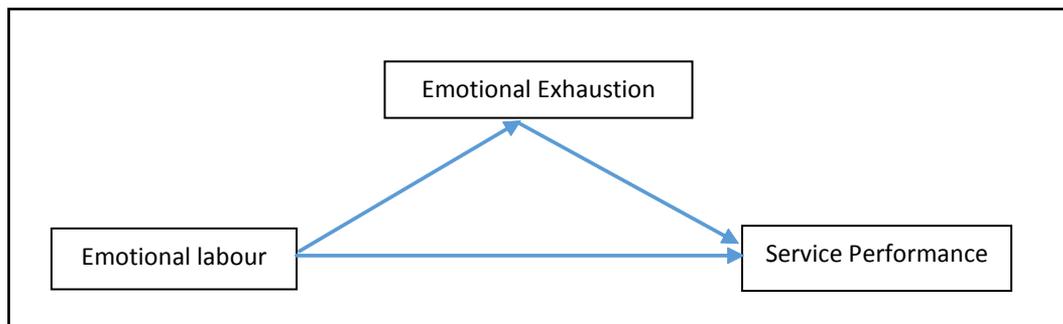


Figure 1. Conceptual framework for the study

Research design, sampling and data collection procedure

This study applied descriptive and causal research design. A descriptive research design was used for answering the current situation of emotional status, emotional exhaustion of employees. Similarly, the need of causal research design employed to test the impact of exogenous variables over the endogenous variable in this study. A sample of 250 employees from hospitality sector organization on the basis of convenience of the researcher, which included hotels and restaurants were considered for the study. The consideration of the 250 samples are taken into consideration of the 21 items questionnaire, and 10 cases (samples) each items, based on the suggestions of Garson (2008); Everitt (1975), Nunnally (1978). The questionnaire was prepared in reference of Maslach and Jackson (1986) for measuring Emotional exhaustion, Winstead (1997) for measuring Perceived service performance, Kruml (2000) for measuring Emotive effort and Emotive dissonance. Likewise, a six-point Likert scale was used to get the responses in agreement or disagreement with each of a series of statement about the stimulus objects. For the reliability of perception of the employee towards their respective organization, employee having at least six months of working

experience considered as valid sample. The reliability was verified with Cronbach' Alpha that is 'Emotive effort' = 0.819, 'Emotive Dissonance' = 0.656, 'Emotional exhaustion' = 0.857 and 'Perceived service performance' = 0.779. After completion of data collection, all information was gathered, edited, coded, categorized and analyzed in SPSS 23v. Descriptive analysis, Pearson correlation, regression analysis and Sobel test for mediation has been applied. The most widespread technique for the calculation of the mediation was the Sobel test (Sobel, 1982) and the researchers mainly followed the recommendations of Baron and Kenny (1986) in relation to the analysis assumptions and interpretation of results.

Results

Demographic profile of respondents

This paper is based on questionnaire-based survey, which was carried out through 250 employees working in hospitality industry based in Kathmandu valley. Data indicates involvement of male respondents (64.8%), 20 to 30 years of employees (54.40%), income level of Rs. 15000 to Rs. 30000 (72.4%), with a work experience of 1 year – 3 years (59.6%), employees working in restaurant department (21.6%), under-graduates (75.2%), medium size of organisation (50.8%), in the maximum numbers within the sample. The detail demographic profile is presented in table 1.

Table 1

Demographic profile of respondents

Gender	n	%	Income Level (In Rs)	n	%
Male	162	64.8	Below Rs 15000	37	14.8
Female	88	35.2	Rs. 15000 to Rs. 30000	181	72.4
Age (in years)	n	%	Rs. 30000 and above	32	12.8
Below 20	35	25.74	Work Experience	n	%
20 to 30	136	54.40	6 months-1 year	37	14.80
30 to 50	72	28.80	1 year-3 years	149	59.60
50 and Above	7	2.80	3 years -5 years	42	16.80
			5 years and above	22	8.80
Working department	n	%	Education	n	%
Front desk /Customer service	43	17.2	below +2	36	14.4
Room service	36	14.4	2	0	0
Restaurant	54	21.6	Undergraduate	188	75.2
Banquet service	27	10.8	Post Graduate	26	10.4
Bar service	21	8.4			
Entertainment and Spa	18	7.2	Nature of the organisation	n	%
Security services	10	4	Small	58	23.2
Transportation	14	5.6	Medium	127	50.8
Guest handling	27	10.8	Large	65	26

N=250

Emotional status of employee in hospitality industry

Emotional status of the employees in this research was explored by the understanding of the emotional labor. It has been determined with the two dimensions, that is emotive effort and emotive dissonance. The overall mean value for emotive effort is $M=4.11$ ($SD=0.872$), the mean values are categorized within the scale of (4) = Slightly Agree to (5) = Agree, this signifies that emotive effort is at moderate level in Nepalese hospitality industry. The respondents agreed on they attempt to create certain emotions in themselves that present the image desired by their company, when the employees interact face to face with customers. They also attempted to create certain emotions in themselves that present the image their company desires ($M=4.44$, $SD=1.07$), most of the respondents slightly agreed that they work at conjuring up the feelings they need to show to customers ($M=3.92$, $SD=1.29$).

Likewise, the overall mean value for emotive dissonance is $M=3.64$ ($SD=0.78$), the mean values are categorized within the scale of (3) Slightly Disagree, (4) = Slightly Agree, this indicates that surface acting (emotional labor strategy) is significantly moderate in hospitality industry, as most of the respondents slightly agree on the fact that, employees of hospitality sector must cover up their true feelings when dealing with customers. These employees display naturally-felt emotions that results in little emotional dissonance. Employees agreed that they cover up their true feelings when dealing with customers ($M=4.20$, $SD=1.23$) and at the other side they disagree on the emotions that they show the customer match what their truly feeling ($M=3.21$, $SD=1.27$), it indicates that employees show the customer make-up emotions, rather what they feel.

Similarly, the status of emotion exhaustion is displayed with the mean value of $M=3.16$ ($SD=0.96$), the mean values are categorized within the scale of (3) Slightly Disagree, (4) = Slightly Agree, significantly indicating that the emotional exhaustion in employees is low, as most of the respondents slightly agree on employees of hospitality sector work too hard on emotional front on their job. Most of the employees slightly disagree that they are working too hard on their job ($M=3.81$, $SD=1.30$). However, they do not feel frustrated of their job ($M=2.89$, $SD=1.26$) which indicates most of the respondents slightly disagree that the employees of hospitality industry feel frustrated of their job.

In like manner, service performance of the employees has the overall mean value of $M=4.46$ ($SD=0.80$), it indicates that the service performance is moderate in Nepalese hospitality industry. The situation of as most of the respondents agreed on employees of hospitality sector understand specific needs of their customers ($M=4.62$, $SD=0.91$). Similarly, respondents slightly agree that they give their customers' individual attention ($M=4.04$, $SD=0.80$).

Table 2

Descriptive statistics of emotional status and service performance of employees in hospitality sector in Nepal

Dimensions	M	SD
<i>Emotive effort</i>	4.11	0.87
<i>Emotive dissonance</i>	3.64	0.78
<i>Emotional exhaustion</i>	3.16	0.96
<i>Service performance</i>	4.46	0.80

Interrelationship between emotional labour, emotional exhaustion and service performance

Correlation matrix which is presented in table 2, indicates a moderate uphill (positive) relationship between emotional labour and emotional exhaustion ($r=0.513$, $p<0.01$). Likewise, it indicates a moderate downhill (negative) relationship between emotional exhaustion and service performance ($r=-0.668$, $p<0.01$). In addition, emotional labour have weak downhill (positive) relationship between emotional labour and service performance ($r=0.394$, $p<0.05$). Overall it implies that emotional labour is directly related to the emotional exhaustion of the employees, which have an interconnection to the service performance.

Table 3

Relationships between dimensions of emotional status and service performance

Variables	Emotional exhaustion	Service performance
Emotional Labor	$r=0.513$ $p=0.007$	$r=0.394$ $p=0.04$
Emotional exhaustion		$r=-.668$ $p=0.001$

Impact of employee emotional status on service performance

The regression weights heading the standardized loadings along with standard errors and p-values that are presented in table 4. The results show that there is an effect of emotional labour to emotional exhaustion ($\beta=0.320$, $p<0.01$), it shows that if emotional labour is increased, it will increase the level of emotional exhaustion in the employees. Likewise, emotional labour will also support in increasing the service performance level too ($\beta=0.205$, $p<0.01$). However, if emotional exhaustion increases, there will be a decreasing effect in the service performance ($\beta=-0.368$, $p<0.01$).

Table 4
Standardized regression weights (multiple regression)

Exogenous		Endogenous	Estimate (Standardized)	S.E.	p
EL	➔	EE	.320	.142	.008
EL	➔	SP	.205	.118	.007
EE	➔	SP	-.368	.091	.001

Mediation effect of emotional exhaustion in between emotional labour and service performance

The mediation model shown in table 5, 6, and 7, which shows that in model 1, emotional labour was significant predictor of emotional exhaustion, $b=0.272, t(248)=1.926, p<0.01$. In model 2, emotional labour was not a significant predictor of service performance through emotional exhaustion, $b= 0.1340, t(247)=1.1674, p>0.05$. Wherein, emotional labour was a significant predictor of service performance, $b= 0.2110, t(248)= 1.7853, p<0.01$. Likewise, the mediation test of emotional exhaustion between the relationship of emotional labour and service performance was performed. The results of the indirect mediation effects via bootstrapping (1000 bootstraps samples), which consider the confidence intervals (CI) at 95% showed that no null effects or zero were found, via the emotional exhaustion (mediator) (95% lower CI = -0.0060 and upper CI = -0.2283), which confirmed the mediation in between emotional labour and service performance. Likewise, results indicated that the direct effect of emotional labour became non-significant ($b=-0.134, t= -1.1674, p=0.246$), when controlling from emotional exhaustion, thus suggesting full mediation. In addition, a Sobel test (table 9) was conducted and found full meditation in the model ($z= -1.5692, p=0.0066$). Therefore, emotional exhaustion found to be fully mediated the relationship between emotional labour and service performance.

Table 5
Model Summary 1

R	R-sq	MSE	F	df1	df2	p
0.220	0.0484	0.8966	3.7130	1.00	248.00	0.0079
	coeff	se	t	p	LLCI	ULCI
constant	2.1732	0.527	4.1235	0.0001	1.1228	3.2236
EL	0.2727	0.1415	1.9269	0.0079	0.0094	0.5547

Outcome: EE

Table 6
Model Summary 2

	R	R-sq	MSE	F	df1	df2	p
	0.3889	0.1512	0.5615	6.4139	2.00	247.00	0.0027
		coeff	se	t	p	LLCI	ULCI
constant		5.8418	0.4631	12.6141	0.000	4.9186	6.7650
EE		-0.2821	0.0926	-3.0462	0.0032	-0.4668	-0.0975
EL		0.1340	0.1148	1.1674	0.2469	0.3629	0.0948

Outcome: SP

Table 7
Model Summary 3

	R	R-sq	MSE	F	df1	df2	p
	0.2045	0.0418	0.6252	3.1871	1.00	248.00	0.0078
		coeff	se	t	p	LLCI	ULCI
constant		5.2286	0.4401	11.8805	0.000	4.3515	6.1057
EL		0.2110	0.1182	1.7853	0.0078	0.4465	0.0245

Outcome: SP

Table 8
Indirect effect of X on Y

	Effect	Boot se	BootLLCI	BootULCI
EE	-0.0769	0.051	-0.2283	-0.006

Table 9
Normal theory tests for indirect effect (SOBEL test)

	Effect	se	Z	p
	-0.0769	0.049	-1.5692	0.0066

Hypothesis Testing -results

In view of the regression analysis, the regression weight had made it clear understanding of impact of emotional labour and emotional exhaustion to service performance. In addition, it is also proofed that there is a mediation effect of emotional exhaustion in between emotional labour and service performance. The result of hypotheses indicates that H1, H2, H3 and H4 is accepted at 1% level of significance.

Table 10

Standardized Regression Weights

Hypotheses	Variables	Estimate (unstandardized)	S.E.	P	Result
H1	EL→SP	0.211	.118	***	Accepted
H2	EL→EE	0.272	.141	***	Accepted
H3	EE→SP	-0.368	.091	***	Accepted
H4	EL→EE→SP	0.134	.114	**	Accepted

***=1%; **=Not significant

Discussion

It is vital that the employees of hospitality sector having a directly interaction with their customers. In these numerous episodes of psychological contacts, employee is expected to perform with emotional stability. One of the emotional context is the emotional labour. The findings of this study shows that the emotional labor and emotional exhaustion in hospitality sector is moderate. The dimensions of emotional labour, that is, emotive effort and emotive dissonance of the employees working in hospitality sector is also at moderate level. Similarly, emotional exhaustion and service performance also share the same context.

Firstly, the interaction of effects of emotional labor to emotional exhaustion and service performance in the present study are consistent with some other researcher in previous time. This study supports the notion of positive effect of emotional labour on service performance, emotional labour increasing the service performance. This finding is consistent with studies like Goffman (1969), Rafaeli and Sutton (1987), Rotundo and Sackett (2002), Bitner, Booms, and Tetreault (1990), Bowen and Schneider (1988), which suggests that displayed emotions can serve as control moves, it is individual’s strategic manipulation of emotional expressions designed to influence the behavior of others. Likewise, it also supports the studies like Diefendorff and Richard (2003), Brotheridge and Lee (2003), Diefendorff et al. (2005), Schaubroeck and Jones (2000), Morris & Feldman (1996), Grandey (2003), Ashforth and Humphrey (1993), James (1989), Tolich (1993), Wharton (1996), Wharton (1993), Wharton and Erickson (1995), these studies expressed positive emotions effect performance. However, in other side few studies revealed a negative consequence of emotional labour, which is not similar to the present study. That is, few researchers like Hochschild’s (1983) suggested a negative outcome of emotional labour on employees including burnout, job dissatisfaction, feelings of in authenticity, drug and alcohol abuse, and absenteeism. Thus, key to separating the mixed results concerning consequences of performing emotional labor may lie in how researchers have conceptualized and measured emotional labor. Several researchers such as Brotheridge and Grandey (2002), Grandey

(2000), Kruml and Geddes (2000), Morris and Feldman (1997), Zapf and Holz (2006) have noted that different aspects of emotional labor may result in diverse outcomes.

Secondly, this study revealed that there is an increasing effect of emotional labour to emotional exhaustion, that is reflection on change in emotional labour will increase emotional exhaustion. This result supports several researchers in the past have agreed that emotional exhaustion is the first stage of the 'burnout syndrome' (Cordes & Dougherty, 1993; Gaines & Jermier, 1983). In addition, researches like Seery and Corrigan (2009), Hochschild (1983), Morris and Feldman (1996), Hargreaves (2000), Erickson and Ritter (2001), Sutton and Wheatley (2003), Lois (2006), Isenbarger and Zembylas (2006), Naring, Briet, and Brouwers (2007), Zhang and Zhu (2008), Chang (2009), Noor and Zainuddin (2011), Shin, Hur and Oh (2015), Lee et al. (2016), Abraham (1998), Kruml and Geddes (2000), Cote and Morgan (2002), Zammuner and Galli (2005), Grandey et al. (2005), Zapf and Holz (2006), Abraham (1998), Kruml and Geddes (2000), Cote and Morgan (2002), Zammuner and Galli (2005), Grandey et al. (2005), Zapf and Holz (2006) has documented the same links emotional labour to emotional exhaustion. Additionally, Brotheridge and Lee (2003), Grandey (2003), Montgomery et al. (2006), Naring et al. (2006), Martinez-Inigo et al. (2007), Judge et al. (2009), Blau et al. (2010), Grandey et al. (2012), Venkatesh and Balaji (2013), Blau, Bentley and Eggerichs-Purcell (2012), which presented that emotional labor had a significant positive impact to emotional exhaustion. However, the finding of the present study, which is not similar to the result of Shuler and Sypher (2000), Rose (2000), Schaubroeck and Jones (2000) concluded, "not all emotional labor is bad some employees are rewarded by the fruits of such labor and consequently are drawn to jobs that require emotional challenges".

Further, this study also revealed that an increase in emotional exhaustion lead to a decreasing effect in the service performance. Several researchers have noted the same aspects of emotional exhaustion to service performance outcomes, like Cropanzano (2003), Belcastro (1982), Belcastro and Hays (1984), Jones (1981), Maslach and Jackson (1981), Quattrochi-Turbin, Jones, and Breedlove (1983), Wright and Bonett, (1997), Lo, Cravens, Grant, and Moncrief (2001), Bonn, Han, and Lee (2016) highlights emotional exhaustion can have a harmful effect on the service performance of an employee and in succession on the productivity of the organization. In similar manner, Choi *et al.* (2014), Bakker and Demerouti (2007), Llorens et al. (2006), Deery et al., (2002), Babakus et al. (1999), Wright and Cropanzano (1998), Ramirez et al. (1995) studies have a consensus that emotional exhaustion has been associated with work outcomes and declines job performance. Babakus et al. (1999) found that frontline employees who lacked emotional energy were less satisfied with their jobs. If the success of the hospitality firms relies on employees who can perform their jobs under stress, emotional exhaustion is likely to exert damaging effects on frontline

hotel employees' affective job outcomes such as job satisfaction, affective organizational commitment, job performance and intention to leave.

Equally important this study supports the notion of full mediation effect emotional exhaustion. This finding support the notion of the previous studies which mainly emphasized the direct mediation effect of emotional exhaustion, studies like Shin, Hur and Oh (2015) suggests that emotional exhaustion mediates the relationships between emotional labor strategies and employee creativity. Amabile (1988), Ashforth and Humphrey (1993), Ashforth and Tomiuk (2000), Brotheridge and Lee (2002), Ferguson (2012), Sliter et al. (2010), Geng et al., (2012), Huret et al. (2015), Coelho et al., 2011, Hon et al., 2013, Hon and Chan (2013), according to which, there is a mediating effect of emotional exhaustion between workplace incivility and employee outcomes. Similarly, it also supports the studies of Karatepe (2013) and Bakker et al. (2005), according to which, emotional exhaustion functions as a full mediator of the effects of work overload, work-family conflict, and family-work conflict on job embeddedness and job performance.

Overall it implies that emotional labour is directly related to the emotional exhaustion of the employees, which have an interconnection to the service performance.

Conclusion

The emotional labor in hospitality industry, which is related to outcomes like organizational performance and psychological well-being of the employees, is an important issue. Hospitality organization continue to expecting the employees show emotional labour and perform. Emotional labour is essential in term of service performance. If employees keep their emotional labour to a positive extent, it implicates positively to the service performance. However, being much emphasize on emotional labour particularly in surfacing acting, the employees can become exhausted and implicate in service performance negatively. Likewise, when employees continue with emotional labour in a certain extent it provides positive effect to the service performance. In a greater extent of emotional exhaustion, it can mediate the effect of emotional labour to subsequent performance outcome. Therefore, it is suggestive to maintain the extent of emotional labour, so that employee eliminates the exhaustion that may led to negativity in performance.

Implications

Emotions are a central element in service-quality management (Cronin, 2003). Customer-contact employees are critical assets for service organizations due to the interactive nature of service delivery in service encounters (Chung and Schneider, 2002; Hartline et al., 2000). Thus, managing emotional labour is practical implications for managers' decisions and practices about employees. As service encounter are intense in hospitality industry, managerial directions in regards to managing emotions of employees is vital in the direction

of service performance. They can adopt emotion management and motivational strategies, to regulate emotional labour input from the respective employees.

Firstly, the scientific understanding of mental states of employee is must, so, managers have information on emotional status of employees' emotional labour. In this front manager's ability to observe employees' emotional reactions to managerial practices is essential. It is especially important to train the manager to observe non-verbal cues of emotions (Riggio and Reichard, 2008). Secondly, organization should focus on their management practices that may linked to employees' emotional standing. There must be a concept of 'self', 'other', and 'situational' to be understood by the manager and employees. Furthermore, hospitality organizations should motivate their employees to emotionally intelligent and perform with internal motivation, rather only surface acting. Additionally, to raise the level of employee job performance, hospitality organization can accentuate the value of employee emotions at work. A psychological support should be given to employees suffering from hindrance stress to maintain their emotion and performance. Additionally, emotional labor must be taken as thoughtful assertiveness and conduct of individuals, groups, and organizations. Congruently, it can affect customer satisfaction, loyalty, and financial performance of organizations. Therefore, emotional labour is an essential element particularly in hospitality organizations, and likely these organizations should emphasize appropriate working environment in results eliminating exhaustion and subsequently perform positively.

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Quality of Work life in Financial Institutions in Nepal

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Abstract

This study explored the existing Quality of Work Life in Nepal (QoWL). It also explores the relationship between the determinants of QoWL and satisfaction of QoWL among 200 employees working in different financial institutions in Nepal. In general, the purpose of the study was to describe the level of satisfaction of QoWL in Nepal. Furthermore, the study also focuses to hypothetical relationship between factors contributing to QoWL. The conceptual model developed by Laar and Easton (2012) was adopted, measured through WRQoL scale 2 (2013) in 5 point Likert scale, which incorporates a seven factor structure is utilized. A convenience sampling of 200 employees working in different financial institutions in Nepal are framed. It is shown that the variable -working conditions (WCS) and employee engagement (EEN) is two variables at strongest relationship. Thus, it can be concluded that the working conditions and employee engagement is congenial in financial sector in Nepal.

Key word: Quality of life, Quality of work life, financial institute.

Introduction

In today's rapidly changing competitive business environment, managing an organization is becoming very complex. These organizations need to attract and retain a competitive workforce to counter this competition. In view of this, Quality of Work Life (QoWL) seems lending a helping hand and emerges as a vital component to boost employees to be associated with these organizations. Organizations have to respond to quality of work life of their respective employees. So that, the organizations focuses on productivity, efficiency and effectiveness of its workforce. As a result, QoWL has assumed increasing interest and importance in both industrialized as well as developing countries (Saiyadain, 2009).

Quality work environment factors are critical issues when examining the work life of employee. A study of quality of work life is a paramount importance, the nature being different for each category of employees depending upon their needs. A good quality of work life reduces absenteeism, accidents & attrition. Quality of work life is useful to improve production, institutional effectiveness, morale of an employees and economic development of the country as well. Hence, it is important to an organization to well formulated HR practices, policies and executes them effectively to boost employee Quality of work life.

In North America, Europe, and Japan, QoWL has been quite well received as an approach leading to greater democratization and humanization of the work place as well as to greater productivity on the part of the work force (Wyatt & Wah, 2001). In Nepalese workplaces challenge are there to inspire employees and make them feel that they are safe and secured in jobs. In Nepal, its scope seems more vital and broader, in the absence of a wide range of labour & HR Policies, in this national transition period.

When we put light back in history in Nepalese organizations, since 1936 organized forms of manufacturing industry begin in Nepal. A number of state-owned manufacturing industries were established in Nepal during 1960 and 1970s. As well a major policy reform initiated within 1990 to promote manufacturing industries in the country. At the other side, contemporary financial system in Nepal has completed more than 78 years since the establishment of Nepal Bank Limited in 1937 as Nepal's first commercial bank. The composition of Nepalese financial system has broadened. As of now, it constitutes commercial banks development banks, finance companies and micro finance financial institutions, few cooperatives and NGOs both performing limited banking activities under the regulatory and supervisory jurisdiction of the *Nepal Rastra Bank*. The true functioning of these organizations depends on happy and engaged employees. Many a times we summarize the reasons to non-performance in these financial and non-financial are many like lack of finance, technology, non-availability of skilled labor, turnover, absenteeism etc. but the hidden cause for all these troubles may be one of the reasons of Quality of Work Life in these organizations.

Thus, an attempt has been made to know about the employee's perceptions and satisfaction on QoWL in Nepal, with an exploration of determinants of QoWL in Nepal. So forth, it may lead these organizations to improvement in QoWL and thus improve productivity, efficiency and effectiveness of the organizations and employee as well.

Objectives of the study

1. To explore the Quality of Work Life (QoWL) of employees in financial institution in Nepal.
2. To examine the relationship between factors contributing to Quality of Work life (QoWL) and overall quality of work life of employees in financial in Nepal.

Hypothesis of the study

The following hypothesis are formulated for the study.

H1: There is significant relationship between General Well-Being and Overall Satisfaction of Employees in Quality of Work Life.

H2: There is significant relationship between Home-Work Interface and Overall Satisfaction of Employees in Quality of Work Life.

H3: There is significant relationship between Job and Career Satisfaction and Overall Satisfaction of Employees in Quality of Work Life.

H4: There is significant relationship between Controls at Work and Overall Satisfaction of Employees in Quality of Work Life.

H5: There is significant relationship between Working Conditions and Overall Satisfaction of Employees in Quality of Work Life.

H6: There is significant relationship between Stresses at Work and Overall Satisfaction of Employees in Quality of Work Life.

H7: There is significant relationship between Employee engagement and Overall Satisfaction of Employees in Quality of Work Life.

Review of literature

Quality of work Life (QoWL)

The term “Quality of Work Life” appeared in Research Journals only in 1970’s introduced by Louis Davis. ‘Quality of work life’ (QoWL) has different denotations of different writers, various writer considered it as industrial democracy or code termination with increased employee participation in the decision making process. For others, particularly managers and administrators, the term signifies enhancement in the mental aspects of work to progress productivity (inputs from Das, 2013).

According to the American Society of Training and Development, QoWL is a “process of work organizations which enables its members at all levels to actively participate in shaping the organizations, environment, methods and outcomes. This value based process is aimed towards meeting the twin goals of enhanced effectiveness of organization and improved quality of life at work for employees” (Skrovan, 1980). According to Keith (1989), QoWL refers to the favorableness or unfavourableness of a job environment for people.

Dimensions of QoWL

A number of literatures attempt to identify various dimensions and relationship of it to QoWL. Some dimensioned it to the improvement in working conditions leading to higher QoWL, while some of the literatures emphasized towards compensations, job security.

Walton (1975) proposes eight conceptual categories that together make up QoWL. They are: Adequate and fair compensation, safe and health working conditions, immediate opportunity to use and develop human capacities, opportunity for continued growth and security, social integration in work organization, constitutionalization in the work organization, work and the total life space and the social relevance of work life. Hackman &

Othman (1974) emphasized to psychological growth needs as necessary considerations in QWL. These needs include task identity, skill variety, task significance, autonomy and feedback. Skrovan (1983) proposed involvement and participation of employees in the creation of their workplace contributing to QoWL. Baba and Jamal (1991) inclined towards- Job satisfaction, job involvement, work role conflict, work role ambiguity, job stress, work role overload, organizational commitment and turn-over intentions. Kotze (2005) emphasized on work-family balance which enhances an individual's QWL. Work-family balance is thought to promote well-being in a more direct manner. Balanced individuals experience low levels of stress when enacting roles, presumably as they are participating in role activities that are salient to them. Saraji & Dargahi (2006) conceptual categories into Fair Pay and Autonomy, Job security, Reward systems, Training and career advancements, opportunities, and participation in decision making, Interesting and satisfying work, Trust in senior management, Recognition of efforts, Health and safety standards at work, Balance between the time spent at work and the time spent with family and friends, Amount of work to be done, level of stress experienced at work 4. occupational health and safety at work. Laar and Easton (2012) which incorporates a seven factor structure: General Well-Being, Home-Work Interface, Job and Career Satisfaction, Control at Work, Working Conditions, Stress at Work and Employee Engagement. Das (2013) studied with main focus to identify useful variable which affects quality of work life with limited number of statements, collected from 12 sugar mills in the state of Uttar Pradesh (UP) of India. He utilized four dimensions namely, working environment, relational, job and financial aspects. By factorial means he concluded with three factors dimensions which affect quality of work life (i) Job and working environment (JWE) dimensions, (ii) Human relations (HR) and (ii) Industrial relations (IR) dimensions have been found valid.

There are fewer studies relating to QoWL in Nepal, at the other side there are also abundant published QoWL research papers globally. In fact, there is paucity of empirical research in the areas such as humanistic management, quality of work life and job design in the past, in Nepal (Adhikari, 2004). As far as the researcher is concern, there is almost non empirical research on QoWL in financial institution in Nepal. Adhikari (1992), conducted in a study on 1991 in seven manufacturing factories in Nepal. The study revealed that: a) the shop floor jobs in Nepal were generally considered routinized in nature and non-motivating; b) job design scopes were unsatisfactory; and c) no intention to leave in economic needs, although the jobs were routinized, non-motivating and unsatisfactory. In the same study it was found that works were very simple and monotonous and less stimulating and financial motivation is prime to the employees. Likewise, in a HRM survey of Labour Legislation and Quality of Work Life in Nepal of 204 industries, of which majority of sample institutions were representing the manufacturing sector, three important challenges are expected. They are a) maintaining employee relations; a) providing training and development; and c) increasing efficiency, productivity and flexibility (inputs from Adhikari, 2004).

In a study undertaken in the garment industries by Pant and Pradhan (2002), in Nepalese context in garment industries the six variables feature of QoWL were noticed (inputs from Adhikari, 2004).

The variables are (i) Pay system mechanism, where it was found that no development of standard pay system in the industries. (ii) Training and development, where it was found the perspective of employers towards T & D is on increases the operational costs. (iii) Performance evaluation, where it was found no formal system of performance evaluation. (iv) Job security, where it was found majority of daily wage contract employees and only 14 percent as permanent contract. (v) Retirement and other benefits, where it was found no provisions for provident fund, gratuity and accidental insurance etc. (vi) Safety and comfort at work place, where it is found not hazardous factories but lack of necessary safety at the work place to improve the quality of work.

In yet another study by CEMIR (1993), an investigation by group of expert academicians, managers, and plant engineers in forty (40) manufacturing industries in Nepal employing 10 to 1000 workers revealed six QWL features in the manufacturing industries which are at the lower side of satisfaction (CEMIR, 1993), (with inputs Adhikari, 2004). (i) Physical working conditions, (ii) Physical and mental efforts required (jobs are very short-duration, simple and tedious), (iii) Social security was not enough. (iv) Skill required in the jobs (almost half of the job do not require skill even for reading and writing skills. (v) Accommodation, which was very poor (few workers were having apartment provided by the factories and poor hygienic conditions). (vi) Job responsibility (very low economic and supervisory responsibility).

Research methodology

Research design, sampling and procedure

This study was a descriptive and correlational research design to determine the quality of work life in financial institutions in Nepal. The study also examined Quality of work life related factors for their possible relationship with overall quality of work life aspect. A convenience sampling of 200 employees of various occupations ranges from banking employees, clerical, customer support, administration and managerial executives from financial institutions was framed for the study. These samples for this research basically comprises of private organizations in both financial sector in Nepal. The data was collected from the employees in Kathmandu valley and adjoining areas. The financial institutions comprise of commercial private banks. The data was collected from these organizations with convenience sampling, in which 230 questionnaires were distributed out of which 200 copies were utilized for further analysis, after collecting the questionnaire with more than two reminders. For the analysis of data, software of SSPS (window version 20) has been used. Descriptive analysis and Correlation tests were applied for evaluation of data.

Conceptual model and instrumentation

The conceptual model developed by Laar and Easton (2012), University of Portsmouth, Consultancy Group within the Department of Psychology was adopted for this study. The conceptual model of quality of working life, as measured through the in Laar and Easton developed WRQoL scale two (2) in 2013, which incorporates a seven factor structure is utilized. The broad categories of seven independent variables are: 1) General Well-Being(GWB), 2) Home-Work Interface (HWI), 3) Job and Career Satisfaction (JCS), 4) Control at Work (CAW), 5)Working Conditions (WCS), 6)Stress at Work (SAW), and 7) Employee Engagement (EEN). In this conceptual model context, researcher studied the Quality of work life in financial institutions in Nepal. The instrument utilized WRQoL scale two (2) developed by Laar and Easton (2012), it contains 36 item questionnaire for the seven variables that explore the Quality of work life. Out of these 36 questionnaires, 34 item questionnaires were utilized for this study. Responses were taken on a 5 point Likert scale (1 = Strongly Disagree to 5 =Strongly Agree). The questionnaire also included demographic questions that addressed gender, age, marital status, education level, organization’s name (optional), job experience and income.

Reliability

Reliability statistics was conducted for confirming the reliability of the study. The Cronbach’s alpha for overall scale was 0.821, acceptable limit of 0.7. Hence, the scale was found reliable and fit for use. The detail reliability statistics may be referred at table 1.

Table 1
Reliability of Independent variable (Cronbach’s Alpha)

Independent Variables	Cronbach's Alpha	N of Items
General Well Being (GWB)	.715	6
Home-Work Interface (HWI)	.792	3
Job Career Satisfaction (JCS)	.762	7
Control at Work (CAW)	.741	3
Working Conditions (WCS)	.778	4
Stress at Work (SAW)	.779	5
Employee Engagement (EEN)	.755	5
Work Related Quality of Life factors	.730	7
Overall	.821	34

Result

Respondent profile

The respondents' profile includes age, gender, marital status, educational status, sector, work experience and income. The mean age of the respondents was 28.05 years (SD: 3.371), with a representation of 26.56 years (SD: 1.479) and 29.54 years (SD: 4.021). Majority of the respondents represented 25-30 years of age representing 57%, 26% in 20-25 years of age group, 13 % in age group of 30-35 years, 3% in age group of 35-40 years and 1 % in age group of 40-45 years. Similarly, majority of the respondents are of 25-30 years of age representing 64% and 50% from financial and non-financial institutions respectively.

The percentage of male respondent was 72% and that of female respondent was 28% of the total 200 respondents. Likewise, 64% are male, 36% are female and 80% are male, 20% are female in respondents of financial and non-financial institutions respectively.

Unmarried respondents are 86% and married respondents are 14% out of total respondents, wherein 94% are single, 6% are married and 79% are single, 22% are married in respondents of financial and non-financial institutions respectively.

Majority of the respondents falls within the Master's level educational status with 82 % representations and then 15% in bachelor's level and 3% in M. Phil. level. Majority of the respondents of 90% and 74% falls in master's level of financial and non-financial institutions respectively.

It was found that majority of respondents 60% are experienced of 1 year to 5 years, followed by 35% of less than 1 year, 2% of 5 to 10 years and 3% of 10 and above years of experience. Majority of the respondents 54% from financial institutions, likewise 66% from non-financial institutions are with 1 to 5 years of experience.

A representation of 52% respondents earn a monthly income of 20000 to 30000 Nepalese Rupees, followed by 26% having 30000 & more and 22% having 10000 to 20000 NRs. Likewise, majority (72%) of the respondents from financial institutions earn 20000 to 30000 Nepalese Rupees. Whereas no vast differences from non-financial institutions can be seen in their earning. A detail representation is placed in Table No. 2.

Table 2

Respondent demographic profile

Age group of the respondents		
Age-group	N	Percentage
20-25	52	26
25-30	114	57
30-35	26	13
35-40	6	3
40-45	2	1
Gender of the respondents		
Gender	N	Percentage
Male	144	72
Female	56	28
Marital status of the respondents		
Marital Status	N	Percentage
Single	172	86
Married	28	14
Educational status of the respondents		
Level	N	Percentage
M.Phil.	6	3
Master's	164	82
Bachelor's	30	15
Working experience of the respondents		
Experience	N	Percentage
less than 1 year	70	35
1-5 years	120	60
5-10 years	4	2
10 and above years	6	3
Monthly income of the respondent		
Income	N	Percentage
10000-20000	44	22
20000-30000	104	52
30000 and more	52	26

Level of quality of work life of employees in financial institution in Nepal

On the basis of the results, this can be seen in table 3, the mean of overall QoWL in both financial sector is 3.12 (SD=0.376). The descriptive analysis indicates a moderate level of QoWL in these organizations. Likewise, overall satisfaction of QoWL was also measured in a single statement in questionnaire which was used to validate WRQoL factors. The mean of the statement also supports the above description, it has a mean of 3.22 (SD=0.771), which indicates a moderate level of QoWL in these organizations as a whole.

Table 3

Level of Quality of Work Life (QoWL) and overall satisfaction on Quality of Work Life (QoWL) of employees in financial

Variable	Mean	Std. Deviation
General Well Being (GWB)	3.18	.472
Home-Work Interface (HWI)	3.11	.806
Job Career Satisfaction (JCS)	3.10	.534
Control at Work (CAW)	3.12	.599
Working Conditions (WCS)	3.24	.607
Stress at Work (SAW)	2.92	.630
Employee Engagement (EEN)	3.18	.567
Work Related Quality of Life (WRQoL)	3.12	.376
Overall Satisfaction	3.22	.771

Relationship between factors contributing to QoWL and overall QoWL life of employees in financial in Nepal (Hypothesis Testing – H_1 to H_2):

The result of correlation analysis represents a systematic positive relationship between the all independent variables viz., 1) General Well-Being (GWB), 2) Home-Work Interface (HWI), 3) Job and Career Satisfaction (JCS), 4) Control at Work (CAW), 5) Working Conditions (WCS), and 6) Employee Engagement (EEN) and systematic negative relationship 1) Stress at Work (SAW), and dependent variables except Stress at Work (SAW). As shown in Table 4, the result of the correlation analysis highlights a strongest correlation between Working Conditions (WCS) and Overall Satisfaction of Employees in QoWL, and a weakest with Stress at Work (SAW). All correlations are significant with $p < .01$ (two tailed), except of Stress at Work (SAW) with $p < .05$ (two tailed).

Hypothesis testing:

H_1 : *There is significant relationship between general well-being and overall satisfaction of employees in quality of work life.*

The result of correlation analysis represents statistically significant positive relationship between General Well-Being and Overall satisfaction of employees in Quality of Work Life. It is statistically significant with $r(200)=0.357$, $p=.001$. Hence, the hypothesis is Accepted.

H₂: There is significant relationship between home-work interface and overall satisfaction of employees in quality of work life.

The result of correlation analysis represents statistically significant positive relationship between Home-Work Interface and Overall satisfaction of employees in Quality of Work Life. It is statistically significant with $r(200)=0.319$, $p=.001$. Hence, the hypothesis is Accepted.

H₃: There is significant relationship between job and career satisfaction and overall satisfaction of employees in quality of work life.

The result of correlation analysis represents statistically significant positive relationship between Job and Career Satisfaction and Overall satisfaction of employees in Quality of Work Life. It is statistically significant with $r(200)=0.293$, $p=.001$. Hence, the hypothesis is Accepted.

H₄: There is significant relationship between controls at work and overall satisfaction of employees in quality of work life.

The result of correlation analysis represents statistically significant positive relationship between General Well-Being and Overall satisfaction of employees in Quality of Work Life. It is statistically significant with $r(200)=0.333$, $p=.001$. Hence, the hypothesis is Accepted.

H₅: There is significant relationship between Working Conditions and Overall Satisfaction of Employees in Quality of Work Life.

The result of correlation analysis represents statistically significant positive relationship between General Well-Being and Overall satisfaction of employees in Quality of Work Life. It is statistically significant with $r(200)=0.554$, $p=.001$. Hence, the hypothesis is Accepted.

H₆: There is significant relationship between Stresses at Work and Overall Satisfaction of Employees in Quality of Work Life.

The result of correlation analysis represents statistically significant negative relationship between General Well-Being and Overall satisfaction of employees in Quality of Work Life. It is statistically significant with $r(200)=(-)0.152$, $p=.031$. Hence, the hypothesis is Accepted.

H₇: There is significant relationship between employee engagement and overall satisfaction of employees in quality of work life.

The result of correlation analysis represents statistically positive significant relationship between General Well-Being and Overall satisfaction of employees in Quality of Work Life. It is statistically significant with $r(200)=0.405$, $p=.001$. Hence, the hypothesis is Accepted.

Table 4

Correlation analysis of independent variables to dependent variable

Independent Variables ->		GWB	HWI	JCS	CAW	WCS	SAW	EEN
Overall QoWL	Pearson Correlation	0.357**	0.319**	0.293**	0.333**	0.554**	-0.152*	0.405**
	Sig. (2-tailed)	.001	.0001	.001	.001	.001	.031	.001
	N	200	200	200	200	200	200	200

Correlation is significant at the 0.01 level. **

Correlation is significant at the 0.05 level. *

Discussion

At the above section, mostly the result of analysis is interpreted in detail. Thematic point the study indicates is that the mean of overall QoWL in financial sector is 3.12 (SD=0.376), indicates a low level of QoWL. The mean of the overall satisfaction of QoWL (single statement) indicates a low level of QoWL. Results of correlation analysis showed significant relationship amongst of all the variables at $p < .01$ except of Stress at Work (SAW) with $p < .05$ (two tailed). Strongest correlation can be seen between Working Conditions (WCS) and Overall Satisfaction of Employees in QoWL, and a weakest with Stress at Work (SAW). The correlation analysis also suggests the variable Working conditions (WCS) and Employee engagement (EEN) is two variables at higher side of strongest relationship. This in line to conceptual model developed by Laar and Easton (2012), where the seven independent variables have contributing relationship to QoWL has been established.

Conclusion

Conclusively, it is empirically stated that employees working are moderately satisfied of QoWL in financial sector in Nepal. It is showed that the variable working conditions (WCS) and employee engagement (EEN) is two variables at higher side of strongest relationship. Thus, it can be concluded that the working conditions and employee engagement is congenial in financial sector in Nepal. No doubt, with the improvement of conditions of the seven variables would definitely improve the quality of work life in Nepalese Organizations.

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Impact of Performance Appraisal on Employees' Attitude in Nepalese Service Sector

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Abstract

Performance Appraisal plays a significant role on employees' attitude which leads to employees' performance. To create and implement effective performance appraisal system, the organization must design to fit the performance appraisal system to enhance positive attitude among the employee's which increases the productivity. The study investigated various key factors determining performance appraisal and employees attitude in Nepalese service sector. Total 260 questionnaires had been distributed to the selected employees and 247 questionnaires were used for the analysis. Convenience sampling technique has been applied for the research. The results indicate that performance appraisal system has positive relationship with Work Performance, Organizational Commitment, Rewards, Training & Development and Turnover Intention in Nepalese Service Sector Organizations. Work Performance is highly influenced and Organizational Commitment is least influenced by performance appraisal. There is moderate impact on Turnover Intention. This study contributes to understand employees' attitude towards performance appraisal and help to improve the productivity and sustainability of employees work innovations more broadly. The result of this study may have implications for the organization's management especially to develop performance appraisal system. This study emphasizes the importance of performance appraisal and its' impact on employees attitude and its relevance in shaping the soft aspects of employees working in an organization. The management of the organization must understand and recognize the different dimensions of performance appraisal which helps to achieve organizational goal through improving employees' performance.

Keywords: Performance Appraisal, Employees Performance, Employees Attitude, Nepalese Service Sector, Organizational Performance

Introduction

Organizations are set up to achieve predetermine objectives. The achievement of goals or targets depends upon the performance of each and every individual employee. The objectives can be fulfilled when the tasks are assigned to the employees and they perform the tasks. Otherwise these cannot be fulfilled. For this organizations effort should be competitive and human resource and strategic planners should work collaboratively while formulating the strategies which will be more productive and useful (Ahmed et al, 2010).

Identifying the performers out of non-performers employees is very much important and tough task of human resource management and should create an environment where high/better performer can be motivated through reward and non-performers can be identified (Biswakarma, 2016). Performance appraisal is one of the main function of Human Resource Management and it is an important tool to measure employees performance in an organization. Performance appraisal system is implemented to set reward and punishment system, to provide feedbacks and find the perception about their job, work environment and about overall organization. It also helps to know employees perception towards department, managers, supervisors and management. A positive influence of performance appraisal will help to create positive working environment and vice versa. The positive influence depend on performance appraisal system and managers or supervisor's behavioural actions towards the employees. Performance Appraisals are very much important part of o'rganizations' success because they can serve a number of functions/purposes, including solving performance problems, setting goals, administering rewards and discipline, and dismissal (Ilgen, 1993). Human resources with defined roles and responsibilities along with functions are key determining factors to achieve the organizational goal and human resource is the most important component to achieve those goals (Pandey, 1988).

The study was directed with the objective of finding the relationship between performance appraisal and its influence on employees' attitude in the form of work performance, turnover intention, organizational commitment, rewards and training & development. In this regard, this study attempted to examine the employees' perception of towards the various aspects of existing performance appraisal system and its impact on employees' attitude in Nepalese Service Sector.

Research objective

This study has aimed to investigate the impact of performance appraisal on employee attitude in Nepalese service sector. To achieve this, the research is designed at addressing the following specific objectives.

- i. To examine the relationship between performance appraisal and work performance in Nepalese Service Sector.
- ii. To examine the relationship between performance appraisal and employees turnover intention in Nepalese Service Sector..
- iii. To examine the relationship between performance appraisal and organizational commitment in Nepalese Service Sector..
- iv. To examine the relationship between performance appraisal and rewards in Nepalese Service Sector.

- v. To examine the relationship between performance appraisal and training & development in Nepalese Service Sector.
- vi. To examine the relationship between performance appraisal and employee attitude in Nepalese Service Sector.

Research hypothesis

After reviewing the various literature related to the performance appraisal and employees attitude the study is directed to test the following research hypothesis.

- H1: There is significant relationship between Performance Appraisal and Work performance in Nepalese Service Sector.
- H2: There is significant relationship between Performance Appraisal and Turnover Intention in Nepalese Service Sector.
- H3: There is significant relationship between Performance Appraisal and Organizational Commitment in Nepalese Service Sector.
- H4: There is significant relationship between Performance Appraisal and Rewards in Nepalese Service Sector.
- H5: There is significant relationship between Performance Appraisal and Training and development in Nepalese Service Sector.
- H6: There is significant relationship between Performance Appraisal and Employees' Attitude in Nepalese Service Sector.

Literature review

Performance appraisal

Performance Appraisal is a system whereby an organization assign some score to indicate the level of performance of an employee (DeNisi, 2000). Performance appraisal is a disputed management practice. With so much controversy in it, appraisal is continually used in the organizations around the world as an instrument to oversee the performance of its personnel (Vallance, 1999). Performance appraisal deals with how organizations evaluate and measures its employee's achievements and behaviors. It is an employee review by his manager where his work performance is evaluated and strengths and weaknesses are identified so that the employee knows his improvement areas. An effective human resource system for organizations is the use of an appraisal system which is reliable and accurate (Armstrong, 2005; Bohlander & Snell, 2004; Desler, 2008). Khan (2013) argued that performance appraisal is a method of evaluating employees' work behavior in the work spot using quantitative and qualitative aspects of work performance. Effective performance appraisal system reinforces the individual employees' sense personal worth and assists in developing individuals aspirations (Maud, 2001). Evaluation involves employee

performance comparison with the objectives that has been described in the beginning of the appraisal period (Lillian, Mathooko & Sitati, 2012).

Effective Performance Appraisal System appraises employees for the benefits of employees with valuing them and ultimately it contributes significantly to enhance the organizational performance. A number of benefits, a company will have, if they have appraisal system, for example variation between expectation and performance. Based on this, the organization can set goals. They also gain a better understanding of their faults or weakness and strengths and can adjust their behavior accordingly. In addition, appraisals help to give feedback to workers about their behavior and performance level, and provide input to their managers as well as employees. Finally, appraisals assist in developing plans to improve behavior, and have a better way to achieve goals and priorities of the company.

Work performance

High employee's performances lead an organization and have greater opportunities for employees than those who have low performance. "Performance is related to that organization hires the person to do and do well". Performance is not only related to the actions but also involves judgment and evaluation process. The activities that can be examined and measurable are reflected as performance. Organizations need high performance from its employees so that organization can meet their goals and can able to achieve the competitive advantage differentiate between work and performance. Work Performance is not related to the technical core characteristics but it cares about the organization psychological environment and social environment in that organization achieve its objectives. It involves behaviors such as helping colleagues or being a reliable member of the organization (Frese, 2002).

Performance appraisal emphasizes on the work performance variables not on personal traits (Smither, 1998). Performance should be measured in term of the work related behavior (Kane, 1995) and analyzing performance through personal characteristics has different disadvantages (Murphy, 1991). The organization goals are divided and they incorporate the employee work plan. Performance appraisal involves what is expected to employees and employees remain in the focused of supervisor (Casio, 2003). Evaluation tells about the performance of employee that which employees have met their goals.

Turnover intention

Turnover is the ration of employees left the organization during the period and average number of employees working in the organization (Price, 1977). In general, turnover refers the entire process of filling the vacant space. Whenever a position is vacant, both voluntarily or involuntarily, a new employee is to be recruited as continuous process and this cycle is known as turnover. It is an individual own estimated (subjective) probability that they are permanently leaving the organization at some point in the near future (Vandenberg and

Nelson, 1999). The perception regarding honesty and fairness in performance appraisal system is very much important to the organization because it helps to minimize the negative outcomes such as employee turnover and enhances positive outcomes such as high performance, commitment and job satisfaction (Selvarajan and Cloninger, 2009).

Organizational commitment

Organizational Commitment refers to the employee's emotional attachment to the organization. Meyer and Allen (1991) argued that Organizational Commitment is the “desire” element. Commitment as an independent variable is a powerful influential because employees with positive organizational commitment remain in an organization because they want to and not because they have to. Moreover, performance appraisal helps to increase value of employees' and understand their sense of being valuable towards organization and find themselves as part of the organizational team. It is the understanding of employees which makes them committed to the organization. Performance Appraisal plays a vital role to increases employees' perception of being valued by the organization, and makes employees committed towards organization (Levy and Williams 2004).

Rewards

Fairness in the performance appraisal system, rewards, motivations and developments create positive impact and minimizes the frustration (Gilliland and langdon, 1998). Performance appraisal emphasizes on the work performance variables not on personal traits (Smither, 1998). Performance should be measured in term of the work related behavior (Kane, 1995) and analyzing performance through personal characteristics has different disadvantages (Murphy, 1995). The organization goals are divided and they incorporate the employee work plan. Performance appraisal involves what is expected to employees and employees remain in the focused of supervisor (Casio, 2003). Evaluation tells about the performance of employee that which employees have met their goals. Fairness in the performance appraisal system, rewards, motivations and developments create positive impact and minimizes the frustration (Gilliland and Langdon, 1998).

Training and development

Training is one of main HR function in the organization and supports the firm to achieve its goals. According to Grossman and Salas (2011), training is an organized task of information, skills, and attitudes lead to enhancing performance in a particular situation. Hence, next step of recruitment and selection is training and development of employees and it should incorporate both new recruited and existing employee. However, careful selection of employees does not guarantee that the new staff will perform the tasks effectively, thus, the organizations must design and implement adequate training programs for all employees in order to achieve the tasks which is assigned to them (Dessler, 2008).

Relationship between performance appraisal and work performance

Regular appraisal makes the employees to focus their concentration on that what is expected to him and give feedback to employees and motivates him too (Casio, 2003). Positive feedback tells employee that his work done well and also illustrates what is needed to improved. The good appraisal and supervisor must communicate to employee that how the performance of them can improved and motivates him (Lillian, Mathooko & Sitati, 2012).

Organizational Performance is dependent upon the performance of each individuals that leads the organization towards success. When fair and reasonable performance appraisal system is used to develop goals and provide relevant feedback, which can be useful for both, the individual to whom evaluated and for the organization. Poorly executed performance appraisals, however, can be harmful to organizational performance. Effective performance appraisals are reliant upon employees and managers working together (Larson, 1989).

Bartol and Martin (1998) argued that motivation a powerful tool that reinforces employee's behavior and triggers the tendency to continue. In other words, motivation is an internal drive to satisfy an unsatisfied need and to achieve a certain goal. Kamalian (2010) advocated, a motivated employee has his/her goals aligned with those of the organizations' goal. In addition, these organizations are more successful, whose employees always look for ways to improve their work.

Relationship between performance appraisal and turnover intention

Vignaswaran (2008), suggested that there is relationship between satisfaction on performance appraisal and employee outcomes. It indicates that satisfaction with performance appraisal process negatively influence employees' turnover intention". Similarly the relationship in between satisfaction with performance appraisal and turnover intention are partially mediated by motivation. A large number of literature available which supports this relationship. Arshad, Masood and Amin (2013) argued that when employees perceive high level of Performance Appraisal Politics in an organization then they view that their appraisal is not conducted fairly. As the result the Performance Appraisal satisfaction is low resulting in higher level of Turnover Intention.

Relationship between performance appraisal and organizational commitment

Evaluating the performance of employees through performance appraisal technique is one of the most important determinants of organizational justice (Greenberg, 1986). A large number of researches have considered the organizational commitment as a dependent variable (Morrow,1983, DeCotiis and Summers, 1987). Organizational Commitment is considered as a emotional attachment to an organization is the common approach in the literature to study organizational commitment (Mowday et al, 1982). Further review in the literatures available are fair practices in human resource management, in terms of performance appraisal and has a predictive role in the employees' attitude such as the

organization's commitment (Jehad et al., 2011). Performance appraisal is viewed as an important mechanism for changing employees' attitude and behaviors such as affective commitment (Morrow, 2011).

Relationship between performance appraisal and rewards

Fletcher (2001) defines performance appraisal more broadly as 'all activities through which organizations seek to assess employees and develop their competence, improve performance and distribute rewards'. Performance appraisal system is not just an important tool of HRM to develop their employees, but is also base to reward their employees in form of bonuses, promotions, and pay raise etc. Practice of performance appraisal to reward employees is derived from theories of motivation like reinforcement theory etc. It was proposed in 2002 by Coens and Jenkins that performance appraisal is essential in organizations to judge, rate and illustrate employee's work attitude during a specific time period.

Relationship between performance appraisal and training & development

Training and development are designed to improve employee performance, competency level and ultimately leads to improve organizational performance. Furthermore, training is a systematic approach of learning and development to improve individual, team, and organizational effectiveness (Goldstein and Ford, 2002).

Training and development activities permit organizations to adjust, be a competitor, advanced skills, innovate, develop, enhance employees safety, expand service, and reach firm's goals (Salas et al., 2012). Consequently, any organization attempts to compete in the global economy, differentiation on the basis of the skills, knowledge, and motivation of their workforce must realize the importance of training and development and its impact on employees and organizational performance (Aguinis and Kraiger, 2009). To remain competitive, organizations must guarantee that their workforce recurrently learns and develops regardless of the cost of learning (Salas et al., 2012). Similarly, Della-Torre and Solari (2013) have revealed that the perceived employee and organizational performance were positively related to effective training practices. Some scholars have establish empirical evidence of the impact of training and development on organizational productivity (Conti, 2005; Ballot et al., 2006; Dearden et al., 2006; Konings, 2008; Rugimbana and Akong'o Dimba, 2010; Ayanda, 2011; Georgiadis and Pitelis, 2012; Omolo et al., 2013). Training and development are necessary for the employees' performance and organizational success. Hence, organizations must realize the importance of training and development and adopt a continuous learning and the organization must constantly update its employees' knowledge and skills to stay on cutting edge in order to preserve a competitive advantage. Thus, insufficient or unwell-designed trained employees are big obstacles to organization's success. Furthermore, the organization's environmental performance has significantly affected by the way training is designed and delivered. In this study, training and development are considered as an independent variable.

Theoretical framework

The theoretical framework of the research is based upon the dependent and independent variables illustrated in figure no.1. It explains the framework of entire research process used in this study.

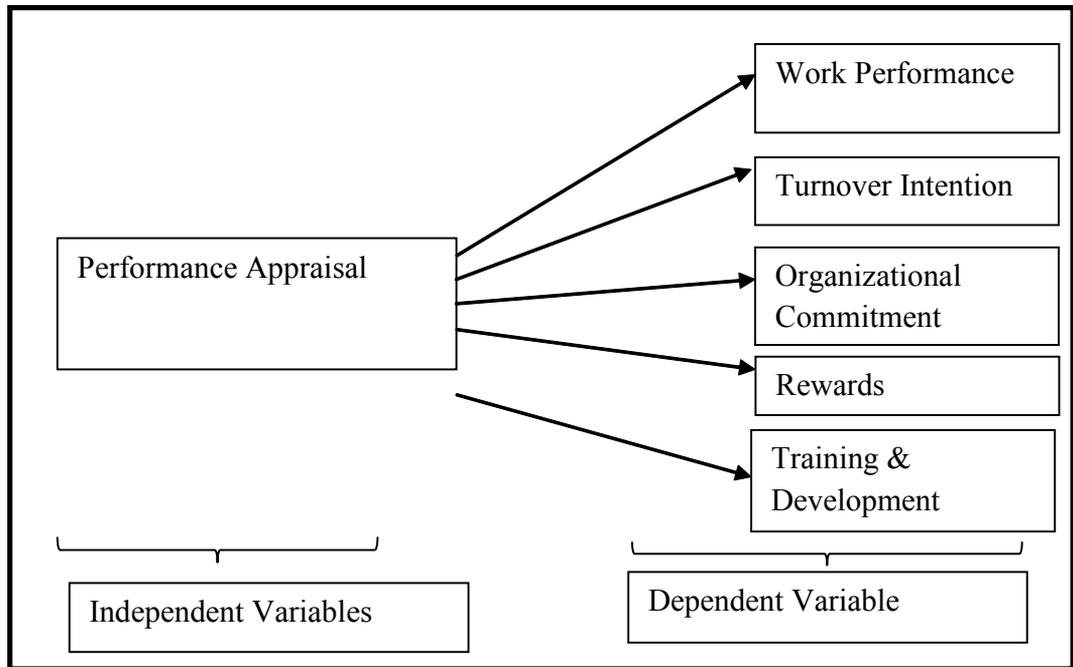


Figure 1. *Theoretical Framework : Impact of performance appraisal on employee's attitude*

Research methodology

Research design

A descriptive and explanatory research design has been applied in this research which provides the relevant information for the above research questions. This study has used a quantitative approach towards descriptive and explanatory casual research design to test the research questions empirically and a descriptive research design for answering the research questions. Similarly, the need of explanatory casual research design is needed and reflects to test the relationship and impact of performance appraisal on employees' attitude. The need for casual research design reflects the development of hypotheses, where the relationship and impact is empirically tested. In this study, both independent and dependent variables are involved in order to form the required relationships. So forth, this study addressed hypothesis testing in relation to the research model.

Population and sampling

The population of the study is the individual who work in Nepalese service sectors. Employees of middle and top level are included in the study. Convenience sampling technique has been applied under non-probability sampling technique in this study.

Data collection

This study is based on primary sources of data. Questionnaires were used to collect the data in this study. Respondents included in the study were from Nepalese Service Sectors employees who work in a team to collect the information in this study. Total 260 questionnaires had been distributed to the selected samples out of which only 247 questionnaires were used for further analysis. The response rate was 95%. Following table no. 1 shows detail about organizations and respondents from those organizations which were taken as sample for the study.

Table 1
Type of service organization

SN	Type of Service Organization	N	Percent
1	Bank	54	21.90
2	Insurance Company	42	17.00
3	Travel Agency	34	13.80
4	Hotel	33	13.40
5	Consultency Firm	32	13.00
6	IT Company	28	11.30
7	Others	24	9.70
Total		247	100

Instrumentation

The questionnaire was divided into four parts i.e. work performance, turnover intention, organizational commitment rewards and training & development. Each variables contained a numbers of questions based on 6 point scale i.e. from strongly disagree to strongly agree. Analysis had been done by using SPSS. Descriptive statistics, inferential analysis, correlation coefficient and regression analysis were used to analyze the data.

Analysis of data

The collected data was used for the analysis. The Reliability were tested obtaining Cronbach's Alpha of all the dimensions. After that, further analysis were done such as demographic characteristics, descriptive statistics along with various inferential statistics. Result of each and every statistical test are presented in separate table along with its explanation.

Reliability

According to tables 1 all the constructs have value higher than thresholds i.e. overall reliability (0.877). To assess validity, the extracted variance should be greater than the variance shared between constructs in the model i.e. squared correlation between constructs (Fornell and Larker 1981). All of constructs are satisfied in the criteria.

Table 1

Reliability of the constructs

Constructs	Items	Cronbach's Alpha
Performance Appraisal	5	0.868
Work Performance	5	0.824
Turnover Intention	5	0.500
Organizational Commitment	5	0.837
Rewards	3	0.871
Training and Development	3	0.686

Descriptive analysis

Respondents demographic characteristics

The majority of the sample are male i.e. 53.8% with compared to 46.2% of female, similarly majority of sample falls 20 years to 40 years age group with 74.5% which is followed by below 20 years age group and 40 years to 60 years age group with 16.2% and 9.3% respectively. Based on collected data of respondents, it can be observed that majority of respondents holds Bachelor Degree with 74.9%, followed by Master Degree with 15.4% and up to +2 degree with 9.7%. The entire study was done by dividing all respondent's current job position in three groups such as Assistant Level, Officer Level and Managerial Level. Majority of respondents hold assistant level job position with 46.2% and it is followed by officer level and managerial level with 36.4% and 17.4% respectively.

Table 2

Demographic components of respondents.

Gender	n	%	Qualification	n	%
Male	133	53.8	+2 Level	24	9.7
Female	114	46.2	Bachelor Level	185	74.9
Age Group	n	%	Master and Above	38	15.4
Below 20 Years	40	16.2	Current Job Position (Level)	n	%
20 Years to 40 Years	184	74.5	Assistant Level	114	46.2
40 Years to 60 Years	23	9.3	Officer Level	90	36.4
			Managerial Level	43	17.4

The table no. 3 shows the descriptive statistics of respondents. The Performance Appraisal is moderately perceived by Nepalese Service sectors employees with mean value 4.04 and Std. Deviation 1.06. It provides information regarding impacts of performance appraisal on employees attitude in Nepalese Service Sector. The study was directed using five dimensions such as Work Performance, Turnover Intention, Organizational Commitment, Rewards and Training & Development. Based on the, it is found that employees moderately prevailed employees' attitude in these selected organizations with overall mean value 4.13 and Std. Deviation 0.76. Likewise, different dimensions of employees attitude moderately practices exist in these organizations. The result indicates that Work Performance has highest mean with 4.40 and Std. Deviation 1.04 ant it is followed by Turnover Intention with mean 4.37 and Std. Deviation 0.65. Similarly, other dimension such as Training and Development has lower value of mean and Std. Deviation with 4.11 and 1.03. Remaining dimensions such as Organizational Commitment and Rewards have lowest mean and Std. Deviation. The mean value and Std. Deviation of Organizational is 3.90 and 0.98 which is followed by Rewards with mean 3.89 and Std. Deviation 1.08. Similarly, employees' attitude has mean score of 4.13 with Standard Deviation 0.76. Hence, employees' attitude is moderately perceived in Nepalese service sector organizations.

Table 3
Status of dimensions of performance appraisal and employees' attitude

Dimensions	Mean	Std. Deviation
Performance Appraisal	4.04	1.06
PA_1	3.87	1.36
PA_2	4.10	1.24
PA_3	3.82	1.33
PA_4	4.18	1.29
PA_5	4.24	1.31
Work Performance	4.40	1.04
WP_1	3.99	1.59
WP_2	4.27	1.40
WP_3	4.57	1.21
WP_4	4.53	1.31
WP_5	4.62	1.24
Turnover Intention	4.37	.65
TI_1	4.28	1.01
TI_2	4.30	.92
TI_3	4.12	1.12
TI_4	4.53	1.31
TI_5	4.62	1.24

Organizational Commitment	3.90	.98
OC_1	3.18	1.29
OC_2	4.06	1.12
OC_3	3.88	1.25
OC_4	4.23	1.28
OC_5	4.17	1.36
Rewards	3.89	1.08
REW_1	3.62	1.25
REW_2	4.03	1.12
REW_3	4.02	1.26
REW_4	3.91	1.24
Training and Development	4.11	1.03
TD_1	3.85	1.40
TD_2	4.18	1.24
TD_3	4.30	1.28
TD_4	4.11	1.28
Employees' Attitude	4.13	0.76

Relationship between performance appraisal and employees' attitude

The relationship of Performance Appraisal with Work Performance, Turnover Intention, Organizational Commitment, Rewards and Training & Development is presented below in table no. 4. There is significant positive relationship between Performance Appraisal and Work performance with correlation coefficient 0.735 at 1% significant level with p-value 0.000 which is less than alpha i.e. $0.000 < 0.01$.

The correlation coefficient between Performance Appraisal and Turnover Intention is 0.520 which indicates that both of them are positively correlated. The correlation coefficient 0.520 is at 1% significant level with p-value is less than alpha i.e. $0.000 < 0.01$.

The correlation coefficient between Performance Appraisal and Organizational Commitment is 0.597 which indicates that both of them are highly positively correlated. The correlation coefficient 0.597 is at 1% significant level with p-value is less than alpha i.e. $0.000 < 0.01$.

Similarly, the correlation coefficient between Performance Appraisal and Rewards is 0.533 which indicates that both of them are positively correlated. The correlation coefficient 0.533 is at 1% significant level with p-value is less than alpha i.e. $0.000 < 0.01$.

Likewise, the correlation coefficient between Performance Appraisal and Training & Development is 0.573 which indicates that both of them are highly positively correlated. The correlation coefficient 0.573 is at 1% significant level with p-value is less than alpha i.e. $0.000 < 0.01$.

Table 4

Relationship between Performance Appraisal and Employees Attitude

Variables	Performance Appraisal
Work Performance	r .735
	p .000
Turnover Intention	r .520
	p .000
Organizational Commitment	r .597
	p .000
REWARD	r .533
	p .000
Training and Development	r .573
	p .000

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

Results of hypothesis testing

In responsive to the Hypotheses H1 to H7 of this study, this can be concluded that Performance Appraisal positively influences Employees' Attitude. Hence, all the hypotheses from H1 to H5 are accepted. Similarly, hypothesis H6 of this study can be concluded that Performance Appraisal is positively influence Employees' Attitude. Hence, H7 is also Accepted.

Table 6

Summary of hypothesis testing in understanding the impact of performance appraisal and employees' attitude.

Hypothesis	Result
<i>H₁: The Performance Appraisal has a significant positive effect on work performance in Nepalese Service Sector.</i>	Accepted
<i>H₂: The Performance Appraisal has a significant positive effect on turnover intention in Nepalese Service Sector.</i>	Accepted
<i>H₃: The Performance Appraisal has a significant positive effect on organizational commitment in Nepalese Service Sector.</i>	Accepted
<i>H₄: The performance appraisal has a significant positive effect on rewards in Nepalese Service Sector.</i>	Accepted
<i>H₅: The performance appraisal has a significant positive effect on training and development in Nepalese Service Sector.</i>	Accepted
<i>H₆: The Performance Appraisal has a significant positive effect on employees' attitude in Nepalese Service Sector.</i>	Accepted

Impact of team effectiveness over employees performance in Nepalese service sector

According to the measurement model fit test, the model fit test is found to be significant and framework with its path has been presented above in figure 1. For understanding of the relationship between Performance Appraisal and Employees’ Attitude, there is need to conduct regression analysis and the same is conducted. The model summary and coefficients of the variable construct of Performance Appraisal and Work Performance, Turnover Intention, Organizational Commitment, Rewards and Training & Development along with its impact is presented in table 5 and table 6. The model 1 represents the summary of relationship between Performance Appraisal and Work Performance. The result shows Performance Appraisal positively affects the Work Performance with a variation of 72.40 percent in Work Performance is explained by Performance Appraisal with $t=0.735$ and $p<0.01$. The model 2 represents the summary of relationship between Performance Appraisal and Turnover Intention. The result shows Performance Appraisal affects the Turnover Intention with a variation of 32.06 percent in Turnover Intention is explained by Performance Appraisal with $t=9.533$ and $p<0.01$. The model 3 represents the summary of relationship between Performance Appraisal and Organizational Commitment. The result shows Performance Appraisal positively affects the Organizational Commitment with a variation of 55.47 percent in Organizational Commitment is explained by Performance Appraisal with $t=11.657$ and $p<0.01$. The model 4 represents the summary of relationship between Performance Appraisal and Rewards. The result shows Performance Appraisal positively affects the Rewards with a variation of 54.61 percent in Rewards is explained by Performance Appraisal with $t=9.860$ and $p<0.01$. Similarly, model 5 represents the summary of relationship between Performance Appraisal and Training & Development. The result shows Performance Appraisal positively affects the Training & Development with a variation of 55.72 percent in Training & Development is explained by Performance Appraisal with $t=10.950$ and $p<0.01$.

Table 5
Model summary of the variable constructs

Model	Exogenous Variable	Endogenous Variable	R	R ²	Adjusted R ²	SE	F	P
1	PA	WP	0.735	0.540	0.539	0.707	288.068	0.001
2	PA	TI	0.520	0.271	0.268	0.557	90.881	0.001
3	PA	OC	0.597	0.357	0.354	0.789	135.892	0.001
4	PA	REWARDS	0.533	0.284	0.281	0.918	97.213	0.001
5	PA	T & D	0.573	0.329	0.326	0.843	119.902	0.001

Table 6
Unstandardized coefficient and t statistics of the variable constructs

Model	Exogenous Variable	Endogenous Variable	α	β (un-standardized)	SE	t	p
1	PA	WP	1.470	0.7240	0.043	0.735	0.001
2	PA	TI	3.073	0.3206	0.034	9.533	0.001
3	PA	OC	1.661	0.5547	0.048	11.657	0.001
4	PA	REWARDS	1.681	0.5461	0.055	9.860	0.001
5	PA	T & D	1.859	0.5572	0.051	10.950	0.001

The p-values, critical ratios and standard errors are obtained through the Regression Weights with standardized loading. All of the estimates are found to be significant. The Standardized Regression Weights are interpreted based on correlation between the observed variables and the corresponding common factors. For the five-factor model of Performance Appraisal towards employees' attitude, all the regression weights are observed significant for all the factors. All the factors are significant at the level of 0.01. The Standardized Regression Weights of the model is placed in table 5 above. The result indicates the coefficient of influence of performance appraisal to employees' attitude.

Discussion

The study was directed with the objective of finding the relationship between performance appraisal and its influence on employees' attitude. This study was conducted with the sample of 247 employees of organizations from Nepalese Service Sector. Based on the result of this study, there is moderate impact on performance appraisal and employees' attitude. The result of this study supports the result of past research conducted by Dechev (2010) which has found that effective performance appraisal positively influence 'Work Performance and Organizational Commitment but contradicts with turnover intention. The findings also supports the findings of (Kuvaas, 2006) that employees react positively on performance appraisal and positively influence employee' attitude. The result is also closer with the result of research conducted by Biswakarma, G. (2016) in Nepalese perspective i.e. there is a significant positive relationship between perception of performance appraisal and employees work outcomes.

Furthermore, the result shows that there is significant positive relationship between performance appraisal and turnover intention which do not match with the findings of Biswakarma, G. (2016). Klein & Snell (1994) stated that goal setting in performance appraisal process has a greater impact on attitudinal reaction for poor performers, probably because these employees needed goal setting to clarify what was needed in order to improve

performance. The findings of this study indicates that fair performance appraisal tend to have low turnover intention of the employees.

Conclusion

Performance Appraisal is one of the emerging issue of modern organizations regarding employees' attitude. Therefore, the main objective of this study was to explore the influence of performance appraisal on employees' attitude. It has long term impact on the employees' attitude with respect to work performance, turnover intention, organizational commitment, rewards and training & development and it eventually leads to overall organizational performance. This research study has successfully accomplished to research objectives and hope it will make contribution to the literature in this regard. The key findings indicated that performance appraisal process positively influences employees work performance.

The study revealed that there exist strong positive relationship between performance appraisal and work performance, turnover intention, organizational commitment, rewards and training & development. Furthermore, there is a positive impact of performance appraisal on employees' attitude. If any changes occurs on performance appraisal, then there will be significant impact on dependent variables.

Limitations of the study

The researcher has tried to best analyze the impact of performance appraisal on employees attitude, yet some of the limitations may be observed in the study. The following limitations may be observed.

- vii. Due to situational constraints and limited time frame the respondents are from Kathmandu valley.
- viii. Convenience sampling technique has been applied under non-probability sampling technique in this study.
- ix. Some portions of analysis of the study is based on questionnaires and interviews with respondents. In some instances, researchers' observations and respondents' answer may be haphazard and random.

Implications

The result of this study may have implications for the organizations management. The study emphasizes the importance of performance appraisal and its' impacts on employees' attitude and its relevance in shaping performance appraisal system of employees involved in an organization. Management of organization must recognize the various factors associated with performance appraisal and its impact on employees' attitude and realize relationship between performance appraisal and employees' attitude in an organization.

Future directions

There are some limitations in this model. This model could not include all the variables that are associated with performance appraisal and employees' attitude. So, more variables such as employee engagement, job satisfaction could be incorporated in the model.

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Prospects of Modern Banking in the Rural Region of North Western Punjab

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Abstract

India, on an edge of major change towards an unprecedented economic growth along with robust advancements in the nation's HDI, having around 65% of its population aged below 35 years and will add almost 10-12 million more to it every year in coming two decades. Urban India has 137 million Internet users, whereas rural has 68 million, growing by 58% each year. The statistics motivates us towards the infusion of the idea of effective utilisation of modern banking practices especially associated with mobile and internet in rural India, marching towards the fulfilment of dream of a cashless India by Modi Government in near future. But there are many structural problems which need to be considered and resurrected with very hard efforts. Only our youth is well versed or is learning the modern banking effectively. The facilities in the rural regions, especially remote ones are well away from even basic facilities and other such related problems. As per the study interpretations, middle aged is more purported to use the modern banking measures for its business usage, being them in stage of business or career momentum and hence more involved in Handling of funds. The main problems faced by rural and remote region in using cash less transactions include

Network Interface and Device Compatibility. Network connectivity issues may be sorted by a mixed initiative by government and corporate, as it will enhance business as well.

JEL Classification: M0, M3, O3, R1, R2.

Keywords: Modern Banking, Connectivity Issues, Cashless Economy, Rural Punjab.

Introduction

India having 137 million Internet users in Urban and 68 million in rural, growing by 58% each year. This motivates us towards the infusion of modern banking practices especially associated with mobile and internet in rural India, marching towards the fulfilment of dream of a cashless India, subjecting to many structural problems it has. It is a general belief that our youth is well versed with the modern banking effectively. The recent outcomes of the scenario in the recent demonetization has many things to say. On 8 November 2016, the Government of India announced the demonetisation of all INR 500 (USD 7.40) and INR 1,000 (USD 15) banknotes of the Mahatma Gandhi Series.[12] The government claimed that the action would curtail the shadow economy and crack down on the use of illicit and counterfeit cash to fund illegal activity and terrorism.[13][14] The sudden nature of the announcement and the prolonged cash shortages in the weeks that followed created a significant disruption throughout the economy.[15][16][17][18] In the announcement, Modi declared that use of all INR 500 and INR 1000 banknotes would be invalid past midnight, and announced the issuance of new INR 500 and INR 2000 banknotes in exchange. SENSEX and NIFTY fell over 6 percent next day.[19] India faced severe cash shortages with severe detrimental effects across the economy.[20][21][22] People seeking to exchange their bank notes had to stand in lengthy queues, and several deaths were linked to the inconveniences caused due to the rush to exchange cash.[23][24] It was heavily criticised by members of the opposition parties, leading to debates in both houses of parliament.[25][26][27] The Indian Supreme Court while hearing one among a slew of cases filed against the sudden demonetisation decision in various courts,[28] observed that it "appears to be carpet bombing and not surgical strike".[29] Amartya Sen, severely criticised the demonetisation move calling it a "despotic action".[30][31] Former Sr. VP and Chief Economist - World Bank, Kaushik Basu, called it a 'major mistake'.[32][33][34] Pronab Sen, former Chief Statistician and Planning Commission India member, called it a "hollow move".[35] Prabhat Patnaik, a former professor JNU called the move 'witless' and 'antipeople'.[36] Noted economist and journalist, T. N. Ninan wrote in the Business Standard that demonetisation 'looks like a bad idea, badly executed on the basis of some halfbaked notions'.[37] Deepak Parekh (Chairman of HDFC) had initially appreciated the decision, but later said that the move had derailed the economy.[38][39] Industrialist Rajiv Bajaj criticised the demonetisation, saying that the concept of demonetisation was

wrong in itself.[40] Chief Ministers of several Indian states[41][42][43] have criticised and led major protests against causing hardships to common.[44] A PIL filed in Madras High Court by GS Indian National League, got dismissed by HC stating that it could not interfere in monetary policies of the government.[45] Similar PILs were also filed in the Supreme Court.[46] Several government ministers had declared before the demonetisation that they were holding large amounts of cash.[47][48] Steve Forbes described the move as 'Sickening And Immoral'.[49] He stated that "What India has done is commit a massive theft of people's property without even the pretense of due process a shocking move for a democratically elected government." [49] Nobel laureate Paul Krugman said that there may be significant costs to it.[50] The demonetisation also came in for sharp criticism from media outside India,[51][52] with the New York Times saying that the demonetisation was "atrociously planned" and that it did not appear to have combatted black money,[53] [54] while an article in The Guardian stated that "Modi has brought havoc to India".[51] The Harvard Business Review called it "a case study in poor policy and even poorer execution"[55] The frequent change in the narrative on objectives of the demonetisation to its visible impact on the poorest of the poor made other critiques calling government's narrative as spins in view of the "pointless suffering on India's poorest." [56] Global analysts cut their forecasts of India's GDP growth rate due to demonetisation.[57][58] India's GDP in 2016 estimated to be US\$2.25 trillion, hence, each 1 per cent reduction in growth rate represents a shortfall of US\$22.5 billion (Rs. 1.54 lakh crores) for the Indian economy.[59] According to Societe Generale, India's quarterly GDP growth rates may drop below 7% for an entire year at a stretch for the first time since June 2011.[60] There was a reduction in industrial output as industries were hit by the cash crisis.[61] There was a slowdown in both, manufacturing and services industries.[62] The PMI report showed that the reduction in inflation in November was due to shortage in money supply.[61] The growth in eight core sectors such as cement, steel and refinery products, was only to 4.9 percent in November as compared with 6.6 percent in October.[62][63] The recent outcomes of the scenario in the recent demonetization was not much answerable as a positive feedback. Further the rural regions, especially remote ones are well away from even basic facilities and other such related problems much drastically faced it. A study is conducted in the north western region of Punjab, which, except for the major cities is a rural region, having lesser facilities of resources and internet connectivity problems.

Literature survey

As per the literature cited, No Exactly relevant Literature is Available, but related studies that are relevant to the subject, are mentioned as follows:

Author (Year)	Title	Instrument	Technique	Conclusion	Recommendations	Further Scope
Sukanya (2016)	Trends, Implications and Prospects of Retail Banking in India	Secondary data Analysis, Time Series: 2004-2013	Comparative and Ratio Analysis,	Retail banking has the macro benefit of raising the level of economic activity in the country resulting in higher rates of economic growth of the country.	Sufficient precautions are taken to ensure that the retail loans lent by the banks are serviced and repaid according to schedule so not resulting in increasing bad debts and nonperforming assets.	Effective precautionary measures on retail loan processing and handling can be reached out.
Chatterjee & Banerji (2016)	The Impact of Demonetization in India	Secondary Data Analysis	Comparative Study: Pre and Post Availability of various techniques.	Sectors / Industries serving in rural and semi-urban regions, as well as tier 2 and tier 3 cities and towns whose markets primarily driven by cash transactions, are most adversely affected	It is expected to enhance the liquidity position of banks, which can be leveraged for lending purposes.	Necessary tackling measures need to be taken by respective sectors on their own.
Mittal, Jadaun & Dash (2013)	Computerization in banks -some issues	Primary (79 questionnaires) and Secondary Data	Comparative Study: Pre and Post Availability of various techniques.	Technology is the one which is subjected to and has balanced fundamental changes in the banks. We have initiated ourselves in the next course and touched new heights of brilliance in the working and efficiency of banks.	Firewalls, data interruption, digital certification are few security measures which must be rooted in the software used by banks. Regular quest for improvement to perform efficiently for gaining profit are some area of urgent attention.	Technical Studies may be conducted to enhance the betterment of the e-safety measures.
Chauhan & Choudhary (2015)	Internet Banking: Challenges and Opportunities in Indian Context	Secondary data Analysis, Time Series: 2010-2014	Comparative Study: Two Period Availability of various techniques.	Security risk, privacy risk, trust factor and less awareness among consumers about e-banking are acting as hurdle in the adoption of e-banking facilities.	Government of India along with various government agencies may make an effort to make e-banking more safe, secure and reliable.	Studies may be focused on factors which influence the consumer intention to adopt internet banking services.
Pahwa (2016)	Cash vs Digital Money	Secondary data, Timeline till 2019	Secondary Data Analysis	There is no parity between Cash and Digital Money.	Giving an indirect tax rebate for using cashless methods of payment may be helpful.	The kind of rebate to be given can be studied further.
Gorlamandala (2016)	Demonetisation is the tool but cashless economy is the goal of India	Secondary data, Timeline till 2019	Time Series / Comparative Analysis	Neither businesses, citizens of India are ready to move into cash less state nor the implementers and other fin tech operators are adequately resourced to deal with.	There is a expectation from the broader markets in India that the Indian government may come up with more relevant measures to reduce black money and also encourage digital transactions in the country.	Other effective measures to tackle black money can be suggested.

Basavarajappa (2012)	E-banking in India and its present scenario and future prospects	Secondary data, Timeline 2019	Secondary data, Timeline 2019	E-banking has posed several challenges to the regulators and supervisors	With networking and inter connection, new problems are taking place related to security, privacy and confidentiality to e-banking transactions.	Technical research with regard to tackle such new technical problems can be taken for.
Biswal (2015)	Emerging Trends in the Indian Banking Sector- Challenges & Opportunities	Secondary Data, Timeline 2007-2012	study of 5 emerging trends of financial services in India, Time Series Analysis	The biggest opportunity for the Indian banking sector today is the Indian costumers. Demographic shifts in terms of income level and cultural shifts in terms of life style aspirations are changing the profile of the Indian customer.	Innovative Rural market strategy in terms of Innovative banking services is required in order to focus on the untapped population in the rural areas. Provision of better Telecommunications network facilities are of prime importance.	Wide coverage of Financial Literacy taking the mentality of the rural Indians into considerations should be customarily formulated.
HDFC Bank Investment Advisory Group (2016)	Demonetization and its impact - Event Update	Secondary data, Timeline 2019	Secondary data, data analysis	The move would be positive for sectors like Banking and Infrastructure. It could be negative for sectors like Consumer Durables, Luxury items, Gems and Jewellery, Real Estate and allied sectors.	The government may also get enough headroom to reduce the income tax rates, which can lead to higher disposable income with people and can improve consumption demand in the medium to long term.	Other alternatives to increase the disposable income can be looked for.
Deloitte (2016)	Demystifying demonetization	Secondary data, Timeline 2019	Secondary data analysis	Real estate, retail, etc. getting negatively impacted. On the contrary, Banking and Financial Services, eCommerce, fintech, etc. are expected to have a positive impact.	The bigger challenge would be to address the issue of black money in the long run.	Other effective measures to tackle black money can be suggested.
Jayachandran (2016)	Making India a cashless economy	Secondary data, Timeline 2019	Secondary data analysis	A meaningful transition will depend on a number of things such as awareness, technological developments and cashless economy will depend on a number of factors, such as availability and quality of telecom network, improved security and ease of transaction and incentivize cashless transactions and discourage cash payments.	A shift away from cash will make it more difficult for tax evaders to hide their income, a substantial benefit in a country that is fiscally constrained.	Other stable and effective measure to tackle black money can be suggested.

Matthews (2016)	Challenges and Prospect of E-Banking in Ethiopia	exploratory research design - primary and secondary qualitative data - E-banking Department of each bank.	The collected data was analyzed by using descriptive analysis such as tables and percentages.	From the View point of the bank Cost reduction, coverage of wide geographical area, customer satisfactions are some of the benefits of using E banking.	Commitment of the government to facilitate the expansion of ICT infrastructure and willingness among banks to cooperate in building infrastructure are the major opportunities for the adoption of the system in the banking industry.	Scope of banking entities to participate in such development can be worked out
Chakrabarty (2009)	Banking and finance in India - developments, issues and prospects	Secondary data, Timeline till 2019	Secondary data analysis	While the ratio of bank assets to GDP has increased significantly to a shade over 93 per cent in 2008-09 - a result of high credit growth in recent years - it is still lower than other emerging countries.	Retail banking in India is maturing with time; several products, which further could be customized are in the retails segments of housing loan, personal loan, education loan, vehicle loan, etc.	Exact categories of such customised solutions can be formulated.
Padmanabhan (2012)	Techno - banking - prospects and challenges	Secondary data, Timeline till date	Secondary data analysis	Present IT systems of banks are not able to manage unstructured data. It is but natural for banks to outsource their IT related activities including application development when the sector as a whole, is facing a shortage of skilled professionals.	Banks need to build systems to capture and analyze unstructured and semi-structured data. Use of local languages could facilitate easy understanding. Adoption of electronic banking would require moving the customers from being "assisted" initially to becoming "self-reliant".	Technical Studies may be conducted to enhance the betterment of the e-services delivery.
Deodhar (2017)	Black money and demonetization	Secondary data, Timeline till date	Secondary data analysis	There have been global initiatives to tackle "underground economy" or "shadow economy". Primarily, the principles remain the same.	Risk based monitoring mechanisms, coordination amongst revenue departments and education among other things is recommended.	A consistent estimation of the black economy need to be studied.
Sharma & Sharma (2012)	Role of Information Technology in Indian Banking Sector	Secondary data, Timeline till 2019	Secondary data analysis	Implementation is in process upon Centralization, Single Window System, Revised Account opening, Call centre for customers, CRM Application and Data Warehousing.	To facilitate successful implementation, intensive efforts are to be undertaken on Completion of correct MIS details in all accounts and SRM's. Present slowdown in rollover must be put to full use to have concrete action.	Specific efforts to MIS improvement can be formulated.

Research Gap: As per the above literature review, the area has hardly found to be touched with the help of a published grass root study. Although many studies already held at national as well as international levels based on secondary input data, but a locale or regionally representing study based upon a primary survey on the subject particular, has been hardly found in context of problems of modern banking in rural India.

Objectives of the study

1. To examine that whether the versatility of new systems & technologies has a positive impact on usage of modern banking facilities;
2. To prove that the youth is more probable to use modern banking solutions, Because of them being well versed with new systems and technology;
3. To explore the main problems faced by rural and remote regions going cash less preventing them to contribute towards the national goal of cashless India;
4. To prove that lack of facilities and other problems have a negative impact on use of cash less transactions, especially in rural and remote regions.

Need and Feasibility Study: As described in the research gap, the area has not found to be touched with the help of a grass root study and a locale or regionally representing study based upon a primary survey has been hardly found in context of problems of modern banking in rural India. The research is expected to part up a small component of this research grey area. The Study is well feasible to pursue, based on the premise that a snowball sampling based survey is well easy to conduct, and a primary survey has not been held here.

Hypothesis tested

Hypothesis Statement 1: Youth is More Probable to Use Modern Banking, because of being well versed with new Systems & Technologies, i.e.,

H1o: MEAN usage. yn > MEAN usage.ma H1a: MEAN usage. yn =/< MEAN usage.ma

Hypothesis Statement 2: Rural / Remote Localities Face more problems in making cash less transactions, due to lesser / lack of facilities / other technical and structural problems, i.e.,

H2o: MEAN prob.rur/rem > MEAN prob.urb/semiurb H2a: MEAN prob.rur/rem =/< MEAN prob.urb/semiurb

Research methodology

Sampling Technique and Sample Size: 150 Questionnaires were distributed among respondents. Snowball Sampling was used for the purpose, viz. 75 young sampled as convenience in local educational institute(s) had to refer 75 Middle-Aged Samples from

their references in ratio 1:1. 66 respondents (42 Young Aged and they referred 24 Middle Aged) have responded as sample from the region of North Western Punjab and Adjoining Districts of other adjacent States using Snowball Sampling Technique.

Study Usefulness and Limitations: The Study will be well useful for the Banking entities operating or planning to expand their business in the region, to offer such services. Being this Survey done in Semi-Urban and Rural Region of Punjab & Adjoining States, the sample is not a direct representative of national or international population. Further, being a small sample only, collected based on convenience and snowball sampling, the results inference may not be an exact reference to the population of the region. Since the data was collected last year, between July – December 2017, the scenario may have changed all along.

Data interpretation and analysis

Table 1

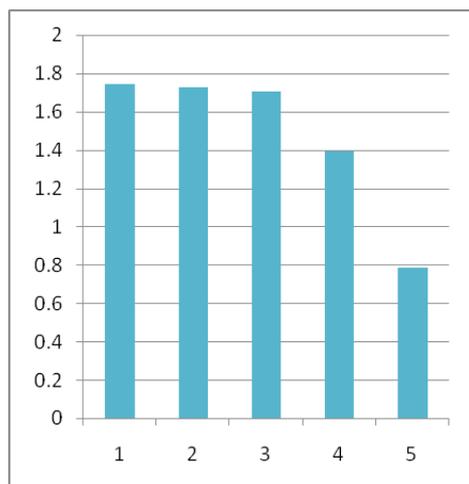
Range analysis of young and middle-aged respondents.

Variables	Middle Aged		Young	
	Minimum	Maximum	Minimum	Maximum
Gadgets' Use	1	4	1	4
Personal Usage of CLT	0	20	0	20
Business Usage of CLT	0	11	0	20

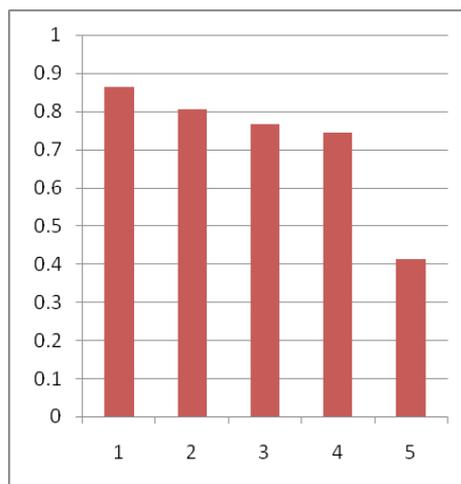
Interpretation: For young and mid-aged, minimum and maximum gadget usage is 1 and 4 respectively. Maximum personal usage of CLT is 20 times a month for both groups, whereas the maximum usage is higher for business purpose for young respondents.

1) Gadgets Owned, Used, Versatility, Internet and Measures used in Demonetization

Figure 1(a). Young



1(b). Middle Aged



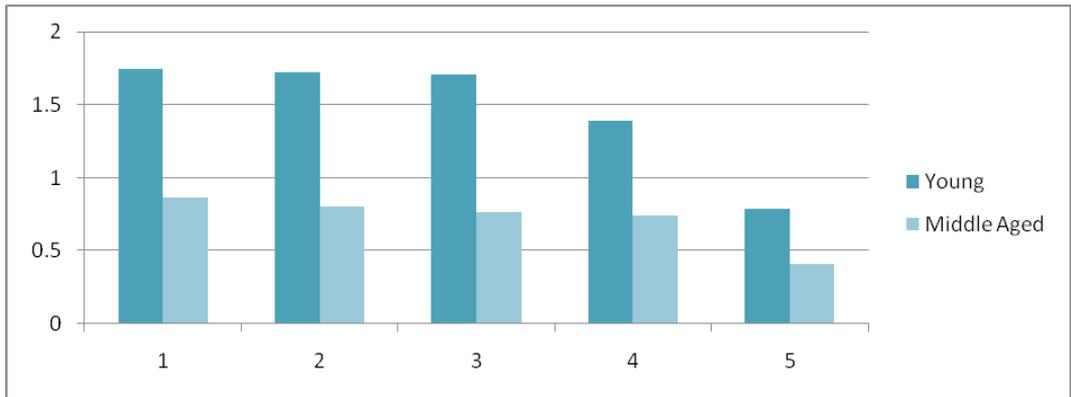


Figure 1(c). *Gadget worthiness and demonetization*

Description: 1 = Average Electronic Gadgets Owned; 2 = Average Gadgets Usage; 3 = Average Gadgets Versatility; 4 = Average Gadgets having Internet Facility; 5 = Average Measures Used in Demonetization.

Interpretation: For Young, the frequency of gadget owned with that of used and its versatility is steeply falling, but for having internet and with measures used in demonetization, it has been observed well lesser and exponentially falling. For Middle Aged, the frequency of gadget owned with that of used, its versatility and having internet is steeply falling, but for measures used in demonetization, it has been observed well lesser and exponentially falling, i.e., actual usage of modern banking in need is not associated with availability and versatility, but with the other intents, such as interest and personal motive towards such facilities.

2) Modern banking awareness and its usage

Figure 2(a). Young

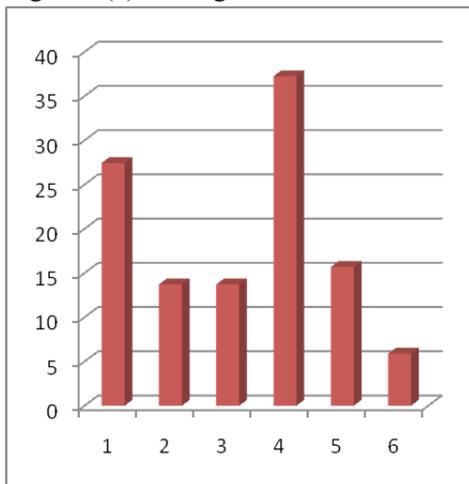
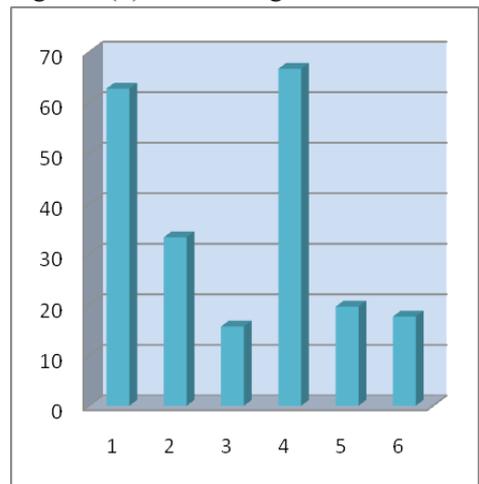


Figure 2(b). Middle Aged



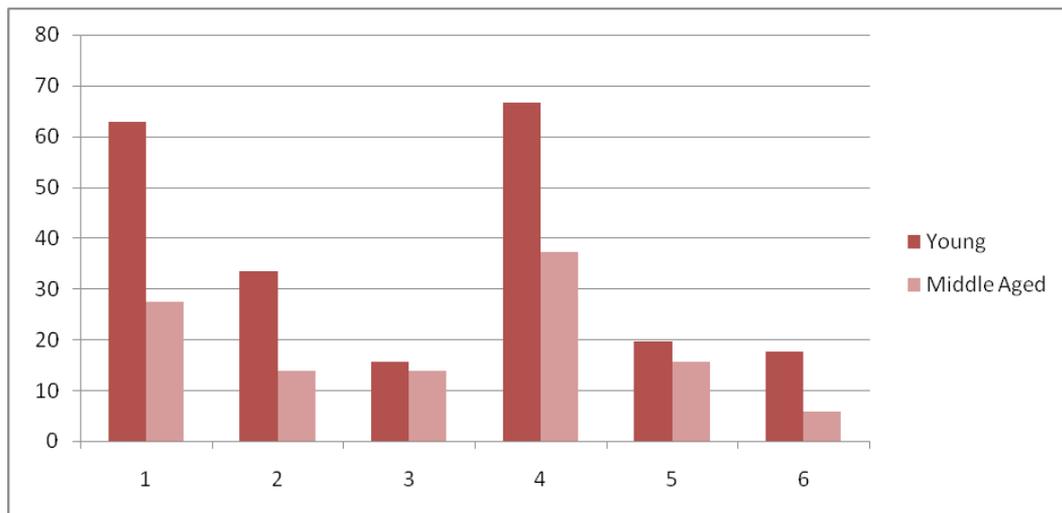


Figure 2(c). *Awareness and usage of modern cashless banking*

Description: 1 = % Aware of Internet Banking; 2 = % Using Internet Banking; 3 = % Using Mobile Application (App) for Internet Banking (Including those who are not using it for Transacting); 4 = % Using ATM Banking Facility; 5 = % Using Teller Less Banking; 6 = % Using Green Panel based Banking.

Interpretation: As observed, Association between Percentage Aware of Internet Banking and percentage using Internet Banking, Mobile Application for Internet Banking, Teller Less Banking, and Green Panel based Banking is more again in case of middle aged. This interprets a high degree of association among awareness and usage of uncommon modes of modern banking in case of middle aged.

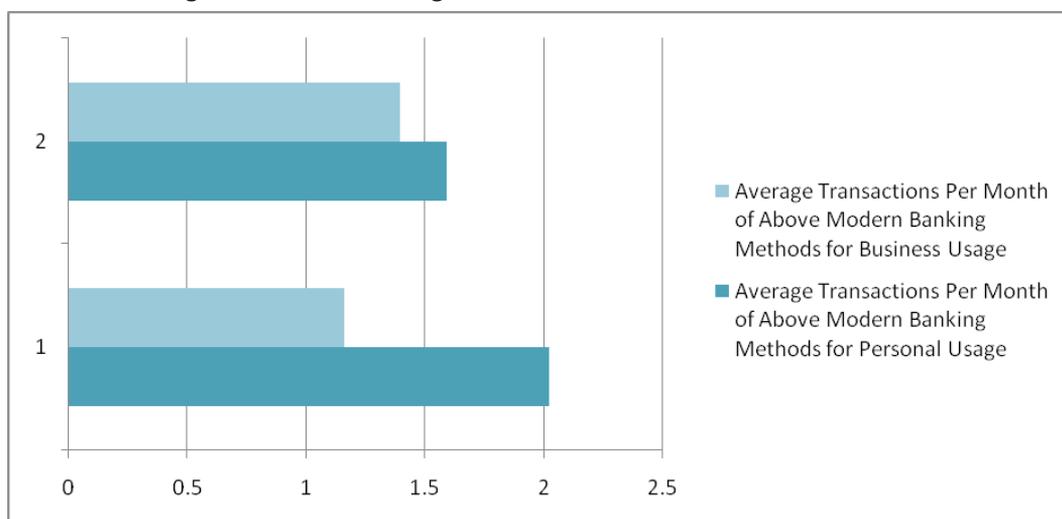


Figure 2(d). *Business / Personal Transaction Usage by Young / Middle Aged.*

Description: 1 = Young; 2 = Middle Aged.

Interpretation: Interpreting Transactional Usage of modern banking, it high in case of business usage by middle aged and is more in case of personal usage of modern banking measures for young, bearing the middle aged involvement in their business and profession.

3) Ease in Cash less Transactions

Figure 3(a). Young

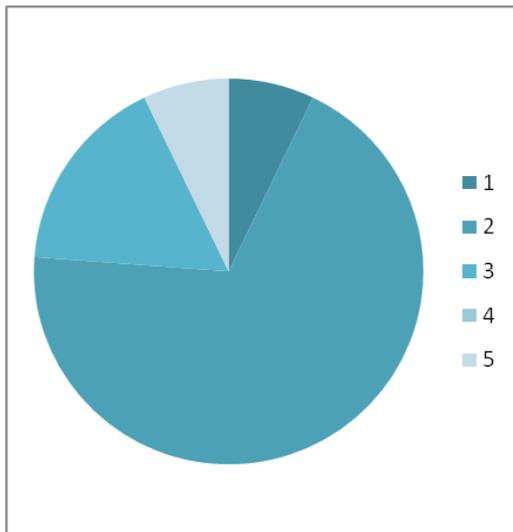
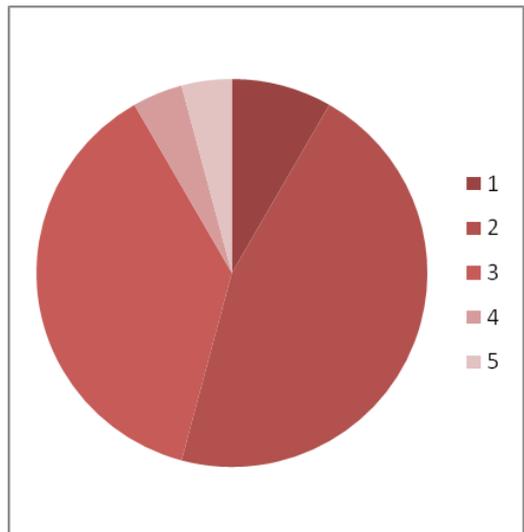


Figure 3(b). Middle Aged



Description: 1 = Percentage who found cash less transactions Extremely Easy; 2 = Percentage who found cash less transactions Simple & Easy; 3 = Percentage who found cash less transactions Somewhat Complex; 4 = Percentage who found cash less transactions Extremely Complex; 5 = Percentage - NIL / NA.

Interpretation: As it comes towards attitude averseness with the new technologies, youth is more adaptable to hence here the results interpret that irrespective of number of transactions carried, youth find cash less transaction much easier than the middle aged perceives and later, they are expected to use even more CLT.

4) Reason Behind Complexity

Figure 4(a). Young

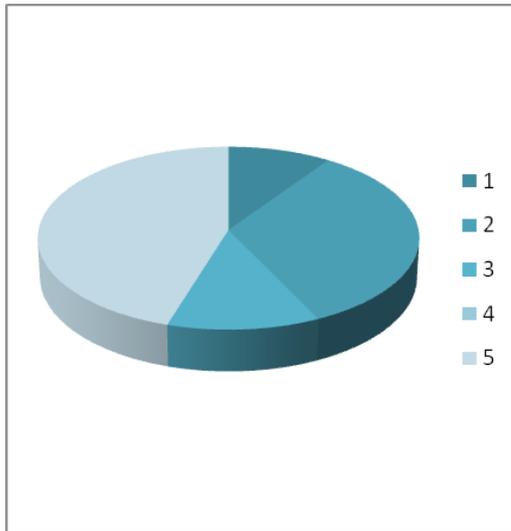
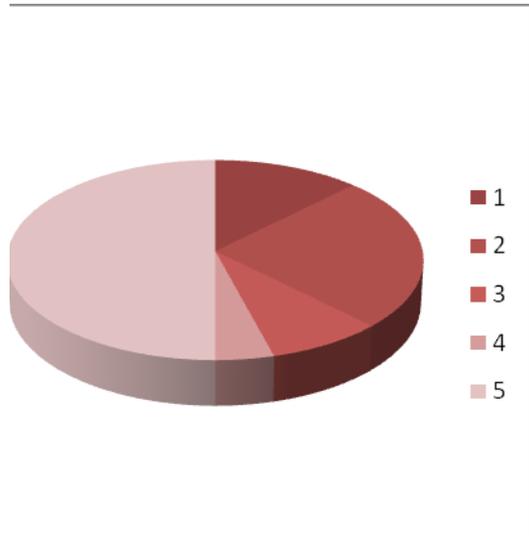


Figure 4(b). Middle Aged



Description: 1 = Percentage found Banking Personnel's Non-response on Education and Redressal as the main reason; 2 = Percentage found Network Interface & Device Compatibility as the main reason; 3 = Percentage found Technical Illiteracy & Incompetency as the main reason; 4 = Percentage found Location & other problems as the main reason; 5 = Percentage - NIL / NA.

Interpretation: Technical Illiteracy & Incompetency has been found a major reason behind complexity of modern banking facilities. The trend was similar with a low pace for middle aged. A good number for both supported facing no problems.

5) Demonetization Impact

Figure 5(a). Young

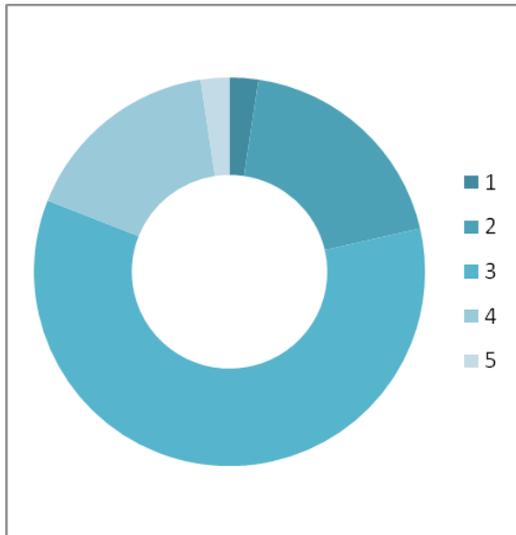
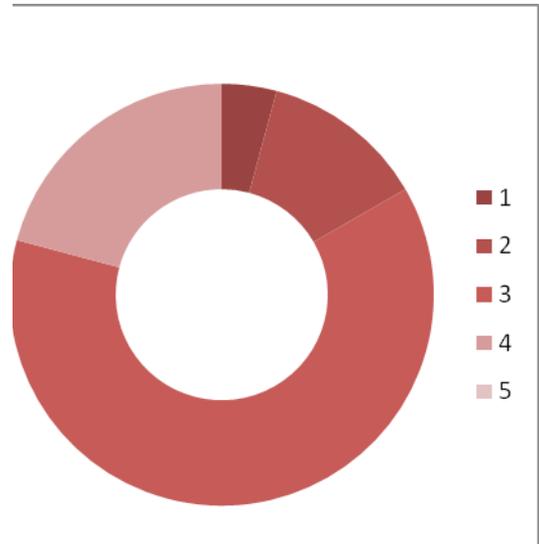


Figure 5(b). Middle Aged



Description: 1 = Percentage Found Demonetization Extremely Hard; 2 = Percentage Found Demonetization Tough & Hard; 3 = Percentage Found Demonetization Somewhat Problematic, But Survivable; 4 = Percentage Found Demonetization Passive & Smooth; 5 = Percentage - NIL / NA.

6) Applied data analysis (using relevant tests)

Table 2

Data Analysis of young and middle-aged respondents

Young	Middle Age	Test Criterion
0.04035	0.015443	Correlation in use of electronic gadgets with internet facility
0.033673	0.333947	Correlation in Internet Facility with Internet Banking Awareness
0.460977	0.356386	Correlation in internet banking / tran. awareness with its use
-0.296	-0.03465	Correlation in internet facility with internet banking / tran. Use
0.888322	0.932292	Covariance of internet banking / tran. Use with personal usage
0.336168	0.887153	Covariance of internet banking / tran. Use with business usage

Conclusion and recommendation

It has been observed from the study outcomes that irrespective of youth being more techno-savvy and gadget friendly, Middle aged segment covered in the region has shown its more averseness and usage for modern banking practices, being their more involved in Business Handling of funds. Majority of the sample covered Found Demonetization Somewhat Problematic, But Survivable. The results of scientific tests interpret that Hypothesis 1 is Partially Rejected being Mean Usage of Young Lesser than that of Middle Aged, with Middle Aged having average transactions per month using the Modern Banking Methods, for personal usage equal to 1.588235 well higher to youth having 2.019608 transactions on average and equal to 1.392157 average transactions for business usage, excessively higher than youth having 1.156863 transactions on average, bearing the above reason. Hypothesis 2 is accepted being Problems faced in Covered region considerably High at a Mean of 0.078431 compared to other Metro Regions. The data analysis of the tests applied shows us a more comprehensive picture, i.e., Correlation between the use of electronic gadgets and internet facility is higher in case of Young and Correlation between having Internet Facility with Internet Banking Awareness is more in case of Middle age, whereas Correlation between the internet banking or transaction awareness with the use of internet banking or transaction is high in case of Young and Correlation between having internet facility with internet banking use is more in case of Middle age and negatively High in case of Young. Further, the Covariance of internet banking or transaction use with its personal as well business usage is more in case of Middle age group with the business usage being more than double in figures that of business one. It interprets that irrespective of more electronic gadget availability and having the internet facility with that of youth, middle aged is more purported to use the modern banking measure for its personal as well as business usage with them being more averted towards using it, being them more involved in Handling of funds. A variation from the earlier study is that for personal usage, online transactional use is more for young, having a raised usage for online shopping. As was proposed in objectives, Versatility with new Systems & Technologies otherwise has a positive impact on Usage of modern Banking Facilities. The main problems faced by rural and remote region in using cash less transactions include Network Interface and Device Compatibility, followed by problems such as Technical Illiteracy and Incompetency, Banking Personnel's Non-response and Location & other problems. Lesser availability or lack of facilities and other technical and structural problems have truly a negative impact on use of cash less transactions. Hence, the banking entities operating or planning to expand their business in the region, to offer its modern banking solutions need to take measures towards the technical literacy of its prospective consumer segments in consonance with the local bodies and government. Further, they may enhance their branch network or may utilize the services of their channel partners to better serve its remotely located customers. Researches ahead could be focused on formulating effective methods to enhance the technical literacy of

the prospective consumer segments. New channels to explore the untapped segments for banking usage can be further augmented.

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Influence of Information Technologies on Competitive Strategies for SMES

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Abstract

This research proposes the use of Information Technology (IT) as a way to generate efficient strategic management in small and medium enterprises (SMEs) to achieve economic advantages. It focuses essentially on the ways in which storage is carried out, recovery, transmission and manipulation of information, since the way in which it is handled is of vital importance in the understanding of individual and organizational behavior. The main research question is: Why do people dedicate themselves to competitive strategies for SMEs? As part of the research methodology for the development of this work, the literature was thoroughly reviewed and cases of success associated with the topic were reported and published. The work answered the questions raised and it was possible to conclude that in fact it is possible to achieve the quality strategies associated with business processes in terms of IT services, which as a final result in competitive advantages.

Keywords: Strategic management, information, SWOT matrix, information technologies, competitive advantages.

JEL: D83, G14, L10, L86, O32, Q55

"The function of a strategist is to try to influence the structure of the industry in which he competes, and not just accept the rules imposed on him." Michael Porter

Introduction

The purpose of this research work is essentially focused on the study of existing literature on the influence of IT in the management of strategies in SMEs to achieve and subsequently maintain competitive advantages within an organization in the market where it is framed. While it is true that it is not possible to generalize too much in the aspects related to the implementation of new technologies, because each company conceives different processes or perhaps the same, but do not follow the same strategies, the hypothesis of the current

trial is that they can be achieved quality strategies associated with business processes in terms of information technology (IT) services, which as a final result accrue in competitive advantages.

The strategic management of information is structured by a set of actions through which it can be obtained data that meet the quality, persistence and costs that are appropriate to the needs of agents and administrators in a firm. To achieve this purpose, IT is an essential concept. The basic objective of information management is the organization and implementation of the information resources of the organization, which can be of external or internal origin, to ensure operability, knowledge and adaptability to constant changes in the environment (Font, Lazcano and Ruiz, 2014).

Nowadays, companies are seen as huge information processors and the correct use of information helps to reduce uncertainty in organizations in increasingly competitive environments and to make much more efficient decisions by the authorities in charge of it. As a consequence of the processes of globalization and the accelerated development of IT, there has been a novel advance in the information industry. Taking into account this development framework, it is essential the way in which the storage, retrieval, transmission and manipulation of information is carried out in a company, since the manner in which these activities are carried out is of vital importance in the understanding of individual and organizational behavior, as well as being a fundamental strategy to achieve competitive advantages within markets.

Technology in general is gaining enormous importance in the processes of innovation, communication and efficient use of resources and dynamic capabilities in a company. Due to the facilities and options offered by IT in particular, the use of them is increasing worldwide, as organizations realize that they are strong points to achieve competitive strategies both locally and internationally. IT is currently providing the occurrence of changes in the ways of competing companies, which results in whether or not there are competitive advantages for the company that makes use of them. These technologies are also responsible for making important changes within the links of the chain of value production in organizations.

The current expansion from the point of view of the activities that are dedicated to the elaboration, processing and distribution of information has caused that one may be thinking that the strategic variable by preference may become the information, taking into account the role relevant that plays the same in all processes of the company, which can be internal or external.

Background of the problem

In order to make corporate governance more efficient and the decisions taken to respond correctly to the objectives of the organization, the solution may be that companies have a clear understanding of the spectrum of advantages offered by IT. As the main research question of this paper, is the following: Why do ITs become competitive strategies for SMEs? Other complementary questions are elaborated that in some way help to frame the context in which the research is based: Why are IT needed in a company? What represents the correct use and storage of information for SMEs?

In order for a company to be efficient and at the same time competitive, the authorities must minimize the risks of uncertainty that inevitably exist in the market and the strategic steps taken by the decision-making authorities should be seen as flexible and adaptable mechanisms to changing environmental conditions. The information allows companies to generate efficiencies in all their processes. It is a very powerful weapon that can also be used to know the competition and in general to the market in which it is competing. In general, the use of information helps to know the SWOT matrix of the company, which is a strategic planning tool, which provides an internal analysis of the organization, discovering its strengths and weaknesses and externally measuring the opportunities and threats that the company has in the market.

Many entrepreneurs ask themselves the following question: What IT can I use in my business? To answer this question, it is valid to point out some concepts. Firstly, it is important and also necessary to understand what technology is. In the Dictionary of the Royal Spanish Academy (RAE), the word technology is defined as a "set of theories and techniques that allow the practical use of scientific knowledge", as well as considered as a "set of instruments and procedures of a certain sector or product" (RAE, 2017, p.5677).

The definition of IT is somewhat prolific, so a compilation was made based on the literature that most converge after analyzing several authors. According to Benjamin and Blunt (1992), IT includes the technologies that are based on computers and communications, used for the acquisition and storage of information, in addition to allowing it to manipulate and transmit it to people and businesses, both internal and external. the company as external. On the other hand, Huber (1990) refers that IT allows companies to improve the management and integration of the needs to perform information processing in all functional areas of it.

They are also defined as innovation processes that facilitate and enable the processing and accumulation of large amounts of information, in addition to which they can be distributed using social communication networks. One of the advantages of networks is that it facilitates the creation of information systems that have a common base, which allows the way to access information to be transformed and the scope of the network to have global dimensions. IT also constitutes tools that are used to share, distribute and centralize

information. They are means that use both telecommunications and technologies associated with computing with the ultimate goal of transmitting information (Fernández, 2005).

Porter and Millar (1985) in their article titled *How information gives you competitive advantage* pose some questions: How do advances in IT affect the competition and are sources of competitive advantage? What strategies should a company follow to exploit the technology? The authors suggest that managers must first understand that IT is more than just talking about computers. This type of technology must be conceived in a broader way to cover the information that companies create and use. In the same way it is evident that the information revolution is affecting competition in several ways: It changes the structure of the industry and, in doing so, alters the rules of competition.

IT is a sector that in summary covers not only all the internal and external information that a company creates and uses, but also is based on the wide spectrum of technologies, which are becoming increasingly convergent and linked and which are the ones that they are responsible for carrying out the processing of said information so that they generate greater efficiency (Porter, 1987).

It is a real and convincing fact the increasing importance of IT in the modernization of companies and therefore in their processes of creating strategies to achieve and maintain competitive advantages in the market. Jones says that one of the biggest costs incurred by a company is given by the time that managers and employees spend in meetings, making decisions and solving problems. IT are tools that help and reduce these times and therefore the costs incurred by organizations associated with these issues; this makes managers and employees improve their productivity, by wasting less time in finding solutions to their problems (Jones, 1999).

It was found that there are three types of IT that are very useful: Tele-Conferencing systems, information transfer and retrieval systems and those associated with personal information processing (Monger, 1988).

The use of tele-conferences helps in the occurrence of communications even being far away. As a final result costs are reduced, since there would be no need to spend on transportation nor incur the expenses associated with the installation of people. In the same way you would be saving a lot in time because it is enough to quote a meeting in which all the parties involved participate.

In these times of global competition is very important to use virtual media to enhance competitiveness. In the same way, information transfer and recovery systems are based on the use of networks and personal computers interconnected with each other, which allows users to share files and digital information. Finally, there are personal information

processing systems, which also provide efficient use of the time and effort of all individuals in the company.

From the point of view of SMEs in the international arena, technological resources are incorporated that have allowed improving processes and achieving greater economic performance, where the methods used have been developed with resources based on the paradigm of new IT. However, one of the errors that slow down the development of SMEs is the absence of strategic analysis. The lack of accurate, reliable and real-time information that provides statistics on the performance of the company can lead to incorrect and inefficient decision-making.

In general, SMEs experience challenges that are not different from those faced by large companies. By definition they have fewer staff, budgets are more limited and technological platforms are much less complex than their major competitors. However, they are subject to equal demands, so they should try to optimize the quality of their services and products to achieve the firm's objectives, as well as minimize costs and adapt the activities of their IT departments to the requirements of the company.

In order for a company to be competitive, the authorities must minimize the risks of uncertainty that inevitably exist in the market and the strategic actions taken by the decision-makers must be seen as flexible and adaptable mechanisms to changing conditions. of the environment. With the purpose of making governance more efficient in companies and that the decisions taken respond in a correct way to the objectives of the organization, the solution could be to have a correct structure of information, external and internal, through IT.

Goldhar and Jelinek (1985) conclude in their research that it is possible to achieve a number of competitive advantages in a company through IT. Among these are the achievement of differentiated and personalized products following the preferences of consumers to maximize their profits. Innovation is implemented with which the design of the product is considerably improved. There are more direct sales and the productions are made in a more focused way in relation to the real variations in the demands. Marketing works are carried out more focused on highlighting the capacity of productive processes. In addition to that there is a differentiation of costs together with rapid changes in the differentiation of products with what accelerates the life cycle of them.

Theoretical - conceptual review

Companies are huge processors of information and the correct use of it helps reduce uncertainty in organizations and make more efficient decisions by the authorities (Arrow, 1974). The current and constant evolution of IT has had a profound effect on the management of organizations, improving the ability of managers to coordinate and control the activities

of the organization and helping them to make much more effective decisions. Nowadays the use of IT has become a central component of any company or business that seeks sustained growth. The following figure shows the results of making correct use of IT in organizations.

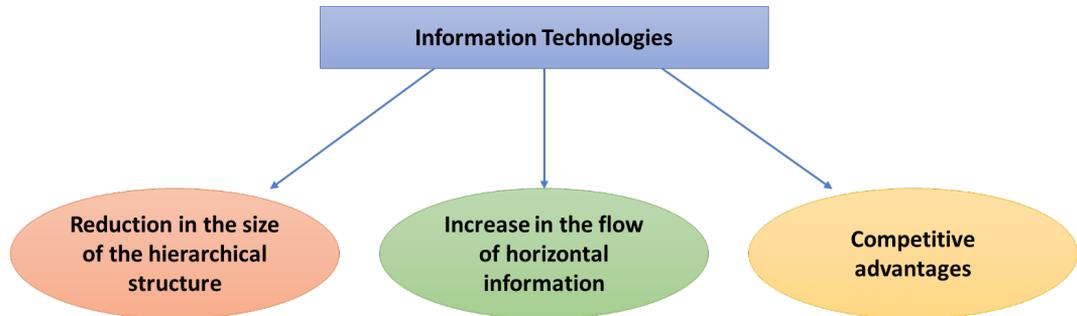


Figure 1. *Results of the correct use of Information Technologies.*

Source: *Own elaboration*

The theoretical - conceptual review carried out in this research shows that many authors believe that the incorporation of IT in SMEs can provide enormous competitive advantages if the use of such technology is correct. The vision of the industry-based strategy is supported by the framework of the five forces that was propagated by Michael Porter in 1981; this model forms the backbone of the theory or more commonly referred to as the industry-based point of view. The so-called Porter diamond was composed of the following elements: Intensity in the rivalry between competitors, the threat of potential entries, the bargaining power of the suppliers, the bargaining power of the buyers and the threat of the substitutes (Porter, 1981).

Subsequently, Porter himself makes a series of observations on the competitiveness model that he himself proposed a few years ago, due to the changing environment and the uncertainty that these transformations brought to the industry. In 1991 he focuses his analysis on the concept of the company's value chain, which consists in carrying out an exhaustive analysis of the different activities of the firm in order to discover where and how to obtain competitive advantages. The proper management of links between value-based activities is usually a good way to obtain competitive advantages because of the difficulty that competitors face in capturing the relationships between the different departments of the company (Porter, 1991).

There are other authors such as Andreu, Ricart and Valor (1991) who argue that obtaining competitive advantages can be mediated through the ITGAs (Information Technology

Strategic Generic Actions). This concept tries to convey the idea of standard actions through whose application sustainable competitive advantages can be achieved.

Another of the great theorist's states that there are three guidelines for finding competitive advantages and that is through cost leadership, differentiation and focus (Porter, 1987). Through the strategy of low costs, what the company intends is to be the leading producer in costs in the industrial sector in which it is framed. This advantage can be obtained through economies of scale, achieving access with preferences to raw materials and also through the use of IT which is what is the point of greatest interest for the present investigation.

Following some of the guidelines of Porter (1991), IT achieve sustainable competitive advantages taking into account a series of circumstances, among which are that the implementation of this type of technology reduces costs or increases the differentiation of companies and in consequence becomes sustainable technological changes. In the same way, these changes and the implementation of IT can modify the general structure of the industrial sector. IT influences the five competitive forces of Porter mentioned above. An example of this is that these technologies can increase the bargaining power of suppliers or constitute potential barriers to entry for producers, since it requires a large investment for its implementation.

One of the basic tools to recognize the role played by IT associated with competitive advantages are the company's value chains (Porter, 1985). Similarly, for Porter (1980) these constitute a theoretical model responsible for describing the development of the activities of a business organization and what is sought is to identify sources of advantage in the competition but in the activities that are generating value. In this sense, IT behaves as a valuable resource to add value to these activities in companies. These technologies have become a central element of any industrial company that seeks growth in the market, providing a sustainable base for the activities of production, trade, human resources, R & D, etc., to generate a final product that customers value.

IT can be used in all activities that add value to the company, which is a key factor in achieving competitive advantages. Technologies are not important by themselves, they are significant if they affect the generation of competitive advantages in organizations (Porter, 2007).

Review of the empirical literature

According to statistics from "Google Trends", analyzed personally in April 2018 it is reported that during the last 5 years (from 2013 to the present), Mexico has reached the second position in searches associated with the words "Information Technology", which shows that this concept has gained in importance and that both isolated individuals and

companies recognize that it is one of the main means to achieve a successful organization and achieve competitive advantages both within local and international markets.

Figures 2 and 3 show the results of searches associated with the term "Information Technologies", filtering for the last 5 years and evidence of interest over time, as well as the regions that have searched the most concept based on a scale of 0 to 100, where 100 is the highest point in search levels performed in relation to the term in question.

Google Trends is a free and open access tool provided by Google, which allows to compare the search popularity of several words or phrases. In this way, it can be known the search level of a term (keyword) during a certain period of time, allowing to identify the variations in searches in relative values based on a scale of 0 to 100, where 100 represents the highest point in levels of searches performed with respect to a term or keyword.

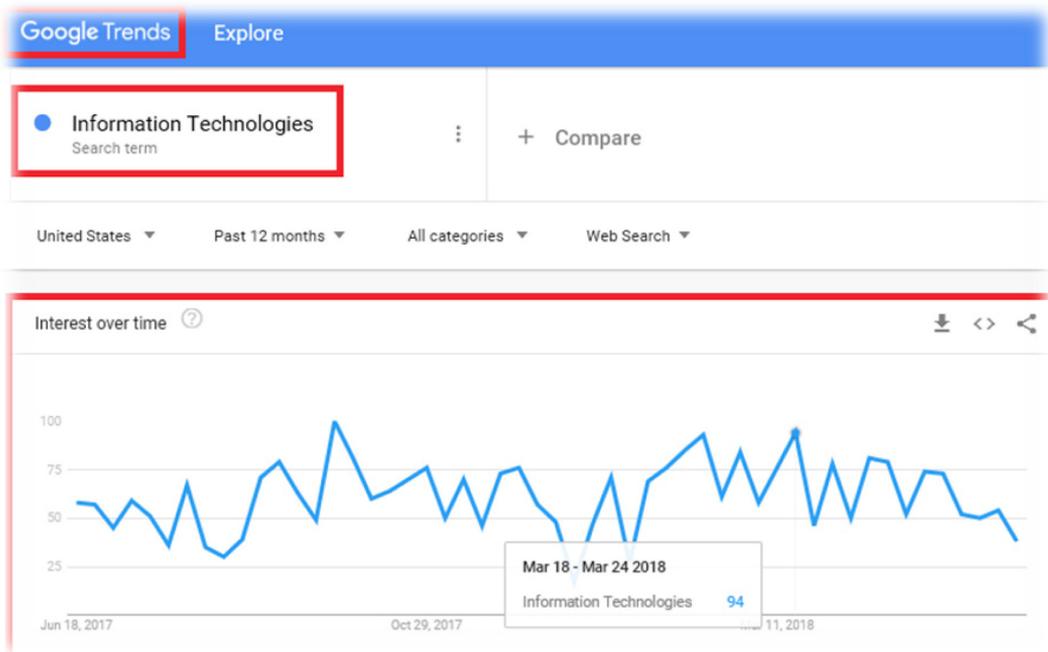


Figure 2. Results of Google Trends. Search term "Information Technologies".
Source: Google Trends, 2018.

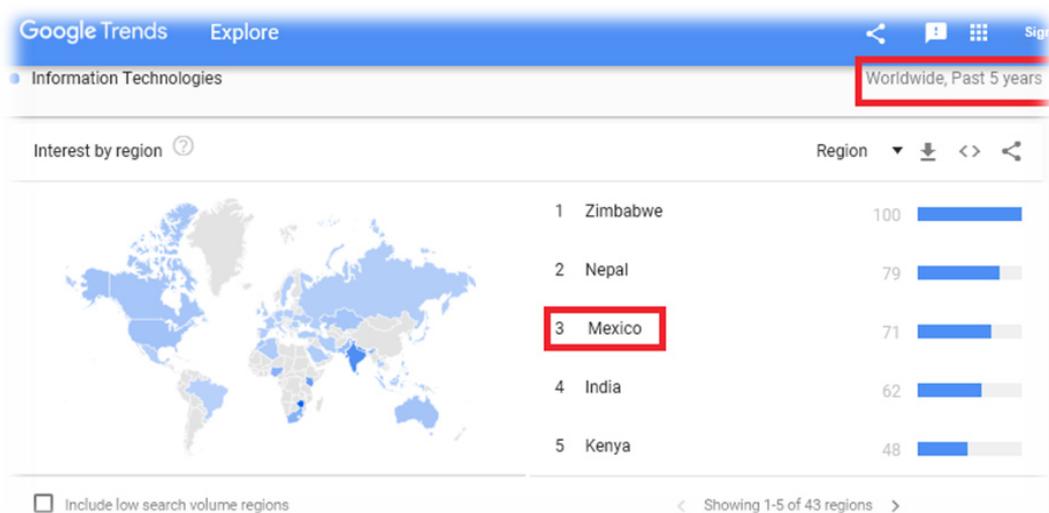


Figure 3. Google Trends results of exploration by regions around the world.

Source: Google Trends, 2018.

In balance with the environment, both the Mexican government, and isolated companies and individuals recognize IT as an important concept that should not be left aside to achieve significant efficiencies in their objectives. So much so, that the Ministry of Economy (SE) shows that for some years there is a Program for the Development of the Software Industry (PROSOFT) and Innovation.

Being a program of the SE, it becomes a public policy that allows to promote the IT sector in Mexico and innovation in strategic sectors. The general objective of this program is to promote some of the industrial sectors that are in the strategic category to contribute to the generation of innovations. The call is aimed at companies from the mature sectors (textile, iron and steel, food, etc.), dynamic (automotive, chemical, electrical, etc.) and emerging (biotechnology, IT, pharmaceutical, etc.). The proposals must be related to IT innovation among other associated technologies.

The PROSOFT Fund seeks to provide support to companies in the IT services sector so that they can increase their competitiveness in national and international markets and ensure their growth (SE, 2016). In the same way, in the online article says that "This self-financing infrastructure, based on the creation of semi-public goods, will generate Industrial Innovation Centers that promote the development of suppliers, clustering, value chains, and development of the human capital and specialized skills to facilitate the processes of adoption of information technologies for the control and design of productive processes aimed at increasing the productivity of manufacturing activities." (SE, 2016).

On the other hand, in 2016 the National Institute of the Entrepreneur (INADEM) launched the call 5.1 of the project called "Incorporation of Information and Communication Technologies to micro and small enterprises". The objective of this program is to provide support to micro and small companies in Mexico in the incorporation of these technologies, in order that they can optimize their management, production and trade capacities and strengthen the competitive advantages within the national and international markets. The support granted by the INADEM is based on meeting the needs of Internet connectivity, computer equipment and specialized software. Even companies receive specialized technical advice or business management in their own business centers (SE, 2016).

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There is a considerable amount of examples in which competitive advantages have been found through the efficient use of IT, which are documented in different publications, both specialized and dissemination and in national and international companies. It can be found examples of organizations that have won the National Technology and Innovation Award (PNTI), which is a Public Policy Instrument created by Presidential Decree in 1998 and that rewards companies that innovate and develop technologies in Mexico to solve problems of a high impact. The recognition is granted to Mexican companies that implement a model that offers them the possibility of competing in the national and international markets. Companies that generate technology and innovation management models are awarded with which new business models, products and services are created or that provide additional value to those already existing (SE, 2017).

According to SE (2017) in the XVII edition of the PNTI some of the winning companies turned out to be the following: Rotoinnovación S.A. de C.V., Seeds Papalotla S.A. of C.V. and Tooriginal Solutions (in the category of Technology Management), Horma S.A. of C.V. and Technologies EOS S.A. of C.V. (in the category of Product Innovation), Tecnotiferet S.A. of C.V. and Termoinnova S.A. of C.V. (in the category of Process Innovation).

Rotoinnovación opted to create a Technology Management model focused on developing the necessary innovations to increase its competitive power, which has generated diverse projects in the fields of: basic science, applied research, technological development, etc.

Its model arose with the creation of a technological road map and has a high distinction for adapting the strengths and opportunities of the company with the environment, being in synergy with the development of technological projects and business guidelines. The company has implemented in its model, surveillance activities that allow the analysis of data generated from a permanent monitoring of the technological environment and market, which can capture key information of capabilities, customers, markets and industry leaders to which they belong, thus making decision making possible (SE, 2017).

According to SE (2017) another of the companies awarded with this award is Papalotla Seeds, which developed its own management model, which has been a primary element of its evolution as a company. Given its relevance, the model is closely linked to the way in which the company operates, is part of its organizational culture, is self-managed and directly involved in its implementation by all business sectors. In its processes, intelligence and technological foresight provide strategic information to the entire organization to acquire and develop technology, among other activities that result from this process.

For Seeds Papalotla, the management of the technology includes an efficient system for the management of the information, periodic delivery of reports, a high internal collaboration and a small and flexible, horizontal and vertical administrative organization, that is able to take advantage of the external human resources, in which all opinions count. There is no exclusion principle, each employee has the opportunity to grow and obtain well-defined benefits for their participation. Among its strategies, this company carries out a very efficient administration of its intellectual property, through tasks such as: protection of confidential information and secrets of the organization, promotion of brands, commercialization of its innovations, etc.

In the category of Technology Management, it also is Tooriginal Solutions, which considers five elements in its model: monitoring, planning and research to carry out technological development and innovation. On the other hand, its surveillance activities facilitate the obtaining of data and information about its technological, innovation and market environment, as well as the possibility of evaluating the efficiency, effectiveness and impact of the business (SE, 2017).

The SE (2017) refers that the model of the company Horma S.A. of C.V. It allows to advance in innovation processes, which helps to develop existing systems, processes and technologies, as well as to evaluate new technologies for efficient decision making that sustain your competitive strategy with positive impacts. Through technological surveillance, information is obtained from abroad on science, technologies and innovations that are closely linked to products, processes and services in the competition sectors and in some other selective sectors, identifying the impacts for the organization. The information

generated is disseminated through controlled copies, which reveals the potential solutions for the problems encountered.

For its part Technologies EOS S.A. of C.V. is an organization that created a model based on the protection of technological heritage. In order to safeguard the most sensitive information, EOS Technologies signed confidentiality agreements with all those involved in the project, both internal and external. In addition, they also implemented information access levels in their computer systems for internal control and supervision to allow data, in the process of developing the projects, to be available only to those who require it (SE, 2017).

In the same way in the official site of the SE (2017) regarding the company Tecnotiferet S.A. of C.V. In the technological and competitive surveillance processes, they obtain information for the implementation of the strategies that foster technological innovation, resulting in the state of the art. In addition to that in this process also acquires tools that make it possible to have more external information, such as market studies, academic articles, statistics and specialized print media.

The last example corresponds to the company Termoinnova S.A. de C.V, which in its process of monitoring technologies has the objective of searching the environment for information that identifies threats and development opportunities for technology innovation that are ultimately channeled into positive impacts for the business. One of its strategies is to take information that comes from the technological surveillance process in order to identify the elements of competence.

Research method

In order to know and evaluate the needs of implementing IT to generate competitive advantages in SMEs, this essay used a compilation of documentation exposed in books and different journal articles and companies specialized in the matter in question and that are proposals in its official pages.

A group of SMEs that have implemented IT in their activities to generate the value chain were chosen to make a real measurement of the benefits that these organizations have achieved. These firms have been awarded prizes that show that they are successful cases with their current models of technologies.

According to the objectives pursued by this research, based on the classification made by Hernández, Fernández and Baptista (2014), it is argued that it is descriptive, since it refers to the description, recording, analysis and interpretation of the current nature and processes of the phenomena studied, related to the need for the incorporation of IT in SMEs. In this sense, a descriptive research was carried out, due to the fact that it was necessary to study the standard of use in terms of IT, in order to define the most representative aspects of the

study phenomenon that allowed the formulation of the proposal. of using IT as a method to achieve competitive advantages.

Regarding the design of the research Hernández and other authors (2014), they define it as the strategy developed in order to obtain the necessary information for a given study. Similarly; Arias (1991), states that this modality refers to the location of the investigation according to the method or methodology used, understanding by them the techniques and procedures necessary to carry out the proposed investigation.

On the other hand, according to the approaches of Sabino (2007) this research has a non-experimental design, since the variable is not manipulated, so that only the phenomenon is observed or analyzed as it is presented in its real context, for the collection of data in a single moment, the latter aspect called transactional or transversal.

In the same way, this research can be considered as one focused on its objective, with the purpose of analyzing the occurrence of one or more variables at a specific time; that is, the one whose purpose is to investigate the incidence and the values in which one or more variables are manifested, in order to provide their description, but which take the information in a single moment, in a single time, in order to study reality as it manifests (Hernández, et al., 2014).

Analysis of results

For the analysis of results, we investigated the impact that IT had on some of the companies awarded during the seventeenth edition of the PNTI that were mentioned above, as well as analyzing some figures related to the favorable repercussions that the economic management model had. who implemented these organizations, always associated with case study technologies of the current investigation.

According to the PNTI (2017) Rotoinnovación, S.A. of C.V. has achieved results that increase its competitiveness and as a result achieve impacts in various aspects within society, as it is founded below: It is a certified company and also certified products. He is a member of the Mexican Network of Transfer Offices. They obtained two trademark registrations before the IMPI, among many other merits.

With the objective of analyzing the impact of Technology Management for SME Rotoinnovación S.A. of C.V. it can be visualized this fact in Figure 4 shown below:

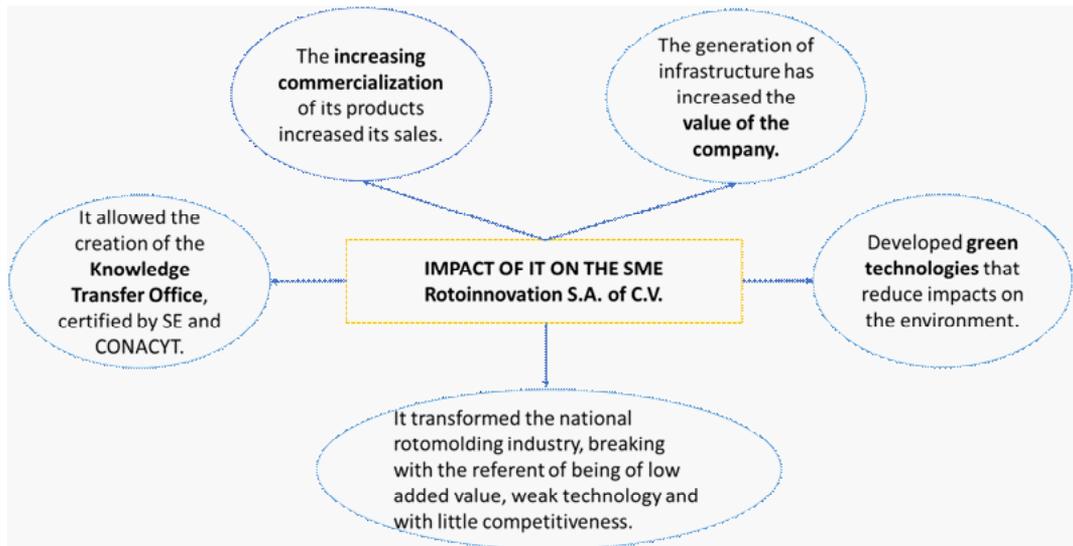


Figure 4. *Impact of Technology Management for SMEs Rotoinnovación S.A. of C.V.*
Source: Own elaboration based on PNTI (2017).

For the SME Semillas Papalotla S.A. of C.V. The impact of Technology Management is observed as follows:

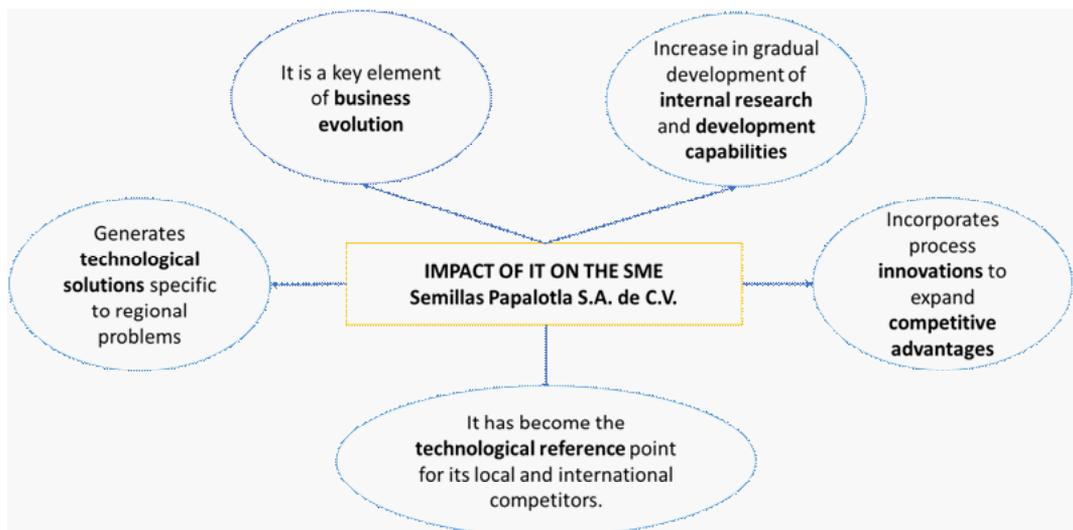


Figure 5. *Impact of Technology Management for the SME Semillas Papalotla S.A. of C.V.*
Source: Own elaboration based on PNTI (2017).

The Technology Management model has allowed Semillas Papalotla to progressively increase its internal R & D capabilities. Until 2014, the company had introduced to the market three new products that are being marketed in 48 countries (Table 1); increased its staff dedicated to R & D by 80%; It also managed to increase the number of projects to expand its target markets and was in the process of developing 6 new products and 3 innovative processes. Sales of new products up to 2014 accounted for more than 75% of the company's sales; the new technological offer allowed to increase in more or less 28% of the influence markets and 12 new countries take advantage of this technology (PNTI, 2017).

Table 1

Impact indicators for the SME Seeds Papalotla S.A. of C.V.

Indicators		Description of indicator	2012	2013	2014
Resource indicators	Financial	Expenditure on R & D / sales	8.2%	7.7%	6.7%
	Humans	Staff dedicated to R & D / total staff	10/70 14.3%	15/78 19.2%	18/85 21.2%
	Infrastructure	Assets dedicated to R & D / total assets	18%	21%	22%
Domain processes	Market	Assets dedicated to R & D / total assets	8	10	11
	Product	Number of projects of new lines of product financed by Seeds Papalotla during the last three years	4	5	6
	Production	Number of innovation projects of processes financed by Seeds Papalotla during the last three years	2	3	3
Results	Financial	New sales percentage products / total sales	84%	75%	77%
	Positioning	Percentage of market share obtained by new product lines	8.9%	10.1%	8.5%
	Global indicator	Increase in the value of the organization due to its technology management.	100%	122%	209%
Others	Commercialization of innovation	Number of Brachiaria hybrids in the Market	2	2	3
	Coverage of innovation	Number of Countries that produce the company hybrids	36	44	48

Source: PNTI (2017).

Taking into account the impact of Technology Management for SME Horma S.A. of C.V can be analyzed in Figure 6:

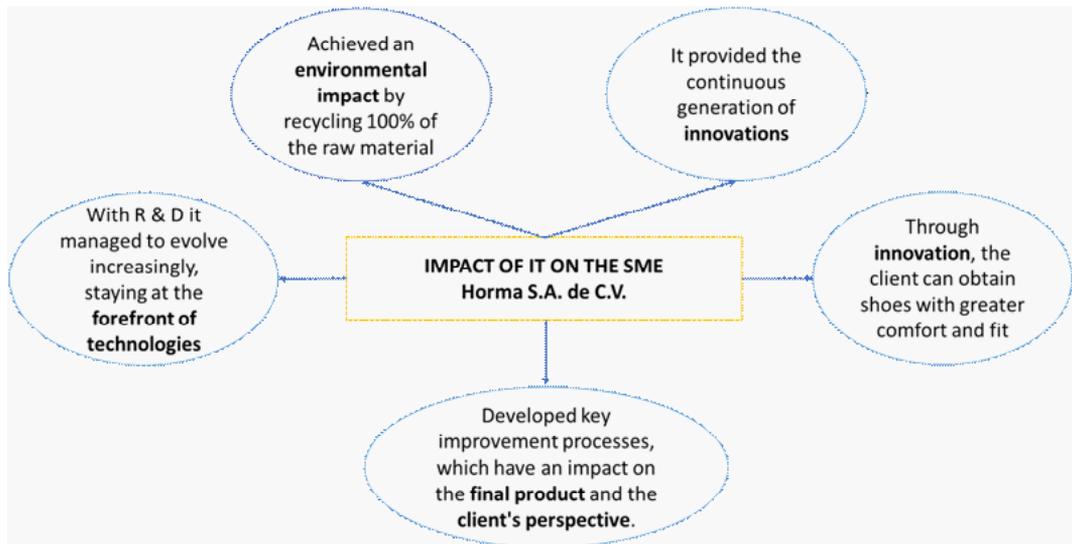


Figure 6. *Impact of Technology Management for the PYME Horma S.A. of C.V.*

Source: *Own elaboration based on PNTI (2017).*

Conclusions

As initial questions of this research, we had: Why do IT become competitive strategies for SMEs? Why are IT in a company so necessary? What represents the correct use and storage of information for SMEs?

With the realization of the current essay and the analysis of examples of successful cases associated with the implementation of technology management, it was possible to respond to the questions raised and it was found that in effect, quality strategies associated with business processes can be achieved. to IT services, which as a final result become competitive advantages. In general, the correct use of IT helps to reduce the uncertainty in organizations in increasingly competitive environments and to make much more efficient decisions. These technologies are also responsible for making important changes within the links of the chain of value production in organizations.

The implementation of this type of technology reduces costs or increases the differentiation of companies and consequently results in sustainable technological changes. In the same way, these changes and the implementation of IT can modify the general structure of the industrial sector.

It is concluded that IT can be used in all activities that add value to the company, which is a key factor to achieve competitive advantages. Technologies are not important by themselves, they are significant if they affect the generation of advantages to generate skills in organizations.

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Organizational Commitment and Employees Behaviour in Workplace

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Abstract

Success of any organization is based on its employee's performance. Organization having satisfied, trustworthy and happy workforce will surely affect its productivity and profitability which are highly contributed by its human resources. In service sectors like banks, maintaining efficient workforce will help to increase performance of the banks and also provide growth of the whole nation. So, it is very important to organize workforce in such a way that they feel more satisfied towards their work and will be more committed to work. This research focuses on studying and comparing the factors affecting organization commitment of Public and Private Banking Sector. The success or failure of an organization is closely related to the aim and motivation of its employees. The motivation of employees clearly represents their commitment towards their job. Organization has an opportunity to ensure that committed employees towards the organization will produce output at a high level. The purpose of this study is to indentify organization commitment among employees involved in banking sector. In modern times, Rivals organization can stole, bought or duplicate every asset of an organization. But what cannot be duplicated is the human capital of an organization. This will make the difference within an organization both positive and negative of organizational factors.

Keywords: Organization commitment, Affective commitment, Continuance commitment, normative commitment

Introduction

According to the following quote in regular human practice says that “Be loyal to the organization, and the organization will be loyal to you”, explains that the human attitude towards and the behaviour within his/her employing organization and also describes about the commitment/engagement/involvement indirectly pointing out the importance of being loyal in the workplace. The study on organization commitment in the workplace remains

a much researched topic and an intriguing trait of employee behavior. From the research studies (Cohen 2003; Cooper-Hakim and Viswesvaran, 2005; Morrow 1993) highlights the most stimulating and challenging concepts in the fields of management which remains one of organizational behaviour was employee commitment. Most of the studies state that the conceptualization of commitment towards the work affects the job, the workgroup, occupation and work itself. Success of any organization is based on its employee's performance. In service sectors like banks, maintaining efficient workforce will help to increase performance of the banks and also provide growth of the whole nation. So, it is very important to organize workforce in such a way that they feel more satisfied towards their work and will be more committed to work. This research focuses on studying and comparing the factors affecting organization commitment of Public and Private Banking Sector. The success or failure of an organization is closely related to the aim and motivation of its employees. The motivation of employees clearly represents their commitment towards their job. Organization has an opportunity to ensure that committed employees towards the organization will produce output at a high level. Becker (1960) through Iverson (1999) till Somers (2009) research highlights the relationship between organizational commitment and organizational outcomes has stemmed up a primarily need to establish and in order to create and sustain a loyal workforce which contributes and enhance a positive workplace towards organizational commitment. (Mathieu and Zajac, 1990; Morrow, 1993) states that organizational commitment is a core predictor of employee's attitude to the organization and it also shows that it is a strong indicator of turnover behaviour which alters the attitude in the workplace.

Objectives

- To Study the overall level of Organizational commitment among public and private bank's employees.
- To Study the level of affective commitment dimensions of public and private bank's employees.
- To Study the level of continuance commitment dimensions of public and private bank's employees.
- To Study the level of normative commitment dimensions of public and private bank's employees.

Review of literature

Organization commitment

The success or failure of an organization is closely related to the aim and motivation of its employees. The motivation of employees clearly represents their commitment towards their job. Organizations have an opportunity to ensure that committed employees towards the organization will produce output at a high level. Organization commitment is mental

connection of individual towards his work and organization. It is related with employee's concern in an association with organization (Fu, 2015). Organization commitment relates with employee's heartily wish to stay as the members of the organization when they get better opportunity (Danish, 2015).

In simple terms, Organization commitment is loyalty to the organization. "It is the strength of an employee's attachment or involvement with Organization where he or she is employed" (Salem 2012). Organization commitment is defined as a powerful belief against the goals and values of the organization, wish to do hard work on behalf of the organization and a strong desire to stay as a member in the organization (Duad, 2014). In the organization, commitment used to predict desired employee behaviour in the area of performance, absenteeism and mental attachment (Bello2012). Organization commitment may create work environments which motivate work regulation and ethical behaviour in an Organization. Work ethics has been practiced by Organization for maintain the behaviour of employees that help to improve the loyalty of employees. (Komari, 2013) states that job performance directly affects by Organization commitment. "Employees strong desire to remain as a member of the organization, try hard to meet organization expectations, uphold the values and objectives of the organization" known as Organization commitment (Allen& Meyer 1991), (komari, 2013). In simple term, Organization commitment refers to employee's commitment to their Organization. (Varghese, 2015)

Dimensions of Organization commitment: Three specific commitment types have been identified (Salem, 2012), (Daud, 2014), (Bello, 2012), (Komari, 2015), (Moore,201), (Narghese Das, 2015), (Nafei,2015), (Meyer&Allen,1991).

Affective commitment defined as individual's feeling of loyalty towards an organization or company because he or she believes in the organization. It refers to employee's mental attachment with their organization. Employees agree with the organization's objective and goals because they feel fairly treated in terms of equity and employees get care, concern and support so job satisfaction can be increased by Affective commitment. One's emotionally attachment to the organization and it results that enjoy the long term membership in the organization (Salim & Agil, 2012). Strong Affective commitment generate continued employment with the organization because, the individual want to do so (Moore, 2014) Affective commitment also known as valve commitment because strong beliefs in and acceptance of organization objectives goals and shared values (Nafei, 2015).

Continuance commitment describe as feeling of employee to remain as a member with company or organization because leaving cost is too much high .This is cleared by an employees who continue commitment to the organization because he or she not able to match salary and benefits with another company. The cost of leaving to the company, employee may lose of the time vested as well as seniority, so they have to stay. In Continuance

commitment Employee's have to suffer if they leave organization, personal investment like close relationships with co-workers, retirement investments and career. (Salim, 2012) It is based on profit and loss considerations if employees leave organization. (Komari, 2015)

Normative commitment is based on feeling that employees are committed and loyal to their organization such as family, marriage, country and religion. The view of this commitment deals with an individual demonstration commitment behaviour because they think it is moral and right thing (Salem, 2012). Normative commitments refer to employee's feeling of obligations to stay in the organization (Daud, 2014). Employees show loyalty and duty towards organization because organization took chance on them when no one ready to take them. It would be unfair to leave the organization.

Febi Varghese et al. (2015) identifies that in public sector undertaking in plantation sector in Kerala quality required for organizational commitment of employees. In the organization, loyalty count as the important aspect of organization commitment. The present study take sample of 37 officers from Plantation Corporation of Kerala, State Farming Corporation of Kerala and Oil Palm India Ltd. Employees must be supported to share everything even specially with trivial matters of the organization. Top management can polish organization commitment by creating a friendly atmosphere and if they communicate organization's problem with employees which will impact in them a feel of belongingness. High organization commitment only can be enhanced by a sensitive and carrying organization.

Rizwan Qaiser Danish et al. (2015) empirically examined that the organization climate has noticeable impact on job satisfaction as well as on organization commitment. Researcher has chosen a sample of 179 teachers from colleges and universities of Punjab and used descriptive statistics and regression analysis to explain the variations in job satisfaction and organization commitment. Organization can increase employee's satisfaction and organization commitment by enhancing organization climate.

Seyed Ali Hoseyni Manesh et al. (2015) indicate the interactions of the components of professional ethics and organization commitment .These are most important principles rapidly progressing on field of business. Result shows that there is average relationship between organization commitment and professional ethic and in general it is proved that for organizational commitment were between accountability, truthfulness, fairness, loyalty, punctuality.

Yaakob bin Daud (2014) concluded that organization commitment is mainly contributed by ethical leadership. Leaders must be train to increase their ethical leadership in order to apply more effective management towards organization commitment. Teachers feel more committed to the organization when leaders maintain the well being of them. But when leaders behave unethically, unprofessional, lack in social interaction with their employees,

they draw a bad picture about leaders. Researcher has taken 324 respondents from secondary school teachers in Malaysia. Ethical leadership at work (ELW) instrument used to measure ethical leadership developed by Kalshoven (2011) and Employee Commitment Survey (ECS) developed by Meyer and Allen used to measure organization commitment. With the help of SPSS, Multiple Regression Analysis used to analyze data. Ethical leadership influence the teachers to became more committed to the organization but also maintain the cultural freedom of the teachers themselves. This was lesson for them to set their own ethical standards and confidently act on their moral beliefs.

Zaneb Omer Salem (2012) concluded that positive relation found between three dimensions of organization commitment and Islamic individual's ethics among employees in Libyan public banks. Affective commitment deals with emotional attachment of the employees to the organization. It indicates that employees with powerful affective commitment lead to long stay wish organization because employees wish to do so. Financial agenda attach with continuance commitment, employees prefer to remain in the organization due to high leaving cost. Normative organization commitment differ from others, it is a situation where employees feeling of responsibility is everything. They consider remain in the same organization is correct thing. In this study 380 employees (respondents) were chosen as sample size and Regression analysis used to analyze data. Islamic individuals highly correlate with normative commitment with comparison to affective and continuance commitment. Islamic work ethics includes handwork, dedication to work, cooperation, justice, meeting deadlines at work and might be more committed to his work. Employees would be more committed to his work and might be more commitment when they strongly agree with Islamic work ethics.

Weihui Fu et al. (2011) showed that organization commitment of Chinese employees was significantly affected by ethical behaviour of co- workers and ethical behaviour of successful managers in the organization. Employees who find that behaviour of peers and managers are ethical; they like to stay in the organization. On the other hand, employees are less committed to their organization when they see that their co-workers and managers perform less ethical behaviour. Younger employees had less commitment to their organization than older employees. Young employees are easily leaved when they are not satisfied with their job or they get a better opportunity to develop their carrier. Loyalty of Chinese employees born in 1980's was far below that of older two generations of colleagues (aged 30-47) and (aged 48-65). So, Chinese firms must pay more attention to young employees. They should practice like individual incentive schemes, merit based promotions, plan for training and development programs so that employees increase their job skills. Researcher use 214 employees as respondents working at a Chinese state owned steel company. This study indicates that Chinese women were more likely to practice socially desirable response. Future research in business ethics need to pay recognition to social desirability bias. The four facets of job satisfaction had a considerable impact on organization commitment

Organizational commitment scale

This scale is developed by Meyer and Allen (1993). It includes total 18 items and each items to be rated on five point scale ranging from strongly disagree to strongly agree. This scale is containing three dimensions affective commitment (6 items), continuance commitment (6 items) and normative commitment (6 items).

Hypotheses

H1: There is significant difference between Organization commitment of public and private bank's employees

H2: There is significant difference between affective commitment dimension of public and private bank's employees.

H3: There is significant difference between continuance commitment dimension of public and private bank's employees.

H4: There is significant difference between normative commitment dimension of public and private bank's employees.

Methodology

The purpose of the study is to identify the organization commitment among employees involving in banking sector. To attain this goal present study used sample from managerial and operational staff of public and private sector banks public and private banks. Total 6 Banks has been taken namely ICICI, Axis Bank, HDFC and PNB, SBI, Punjab and Sind bank in which there are three public sector and three private sector banks. The sample comprising of 72employees (36-working in public and 36-in private schools) were selected by applying probability sampling from Patiala district. Primary data collected through questionnaire of Organization commitment developed by Meyer and Allen (1993). Secondary data had also been taken from books and internet. To analyze the assembled data, descriptive statistic and t- test are applied.

Results and interpretation

Table-1

Showing Mean, SD and t value of private and public bank's employees on overall organization commitment.

Variable	Groups	N	Mean	SD	T-value (df= 62)
Organizational Commitment	Private sector Employees	36	3.21	.552	6.45**
	Public sector Employees	36	2.37	.491	

Table-1 shows the mean difference between organizational commitment employees of Public and Private sector. The mean value employees of private sector were found to be 3.21 with the SD as 0.55. Similarly, the mean value for the public was found to be 2.37 with SD as 0.49 respectively. The t-value between two means was found to be 6.45 which were significant at 0.01 level of significance. Thus, the first underlined hypothesis of the present investigation that (there will be significant difference between overall organizational commitment employees of public and private banking sector) is proved. The employees of private banks have been found more committed than employees of public banks.

Table 2

Showing Mean, SD and t valve of public and private school teachers on dimensions of organization commitment.

Dimensions Of organizational commitment	Groups	N	Mean	SD	T-value
Affective commitment	Private sector Employees	36	2.53	0.51	6.17*
	Public sector Employees	36	3.34	0.55	
Continuance commitment	Private sector Employees	36	2.47	0.50	3.87*
	Public sector Employees	36	3.03	0.65	
Normative commitment	Private sector Employees	36	2.44	0.56	5.65*
	Public sector Employees	36	3.59	1.01	

Table-2 is showing the mean difference between on various dimensions of organizational commitment employees of Public and Private banking sector. The Mean and SD in the case employees of private banking sector on affective commitment dimension were found to be 2.53 and 0.51, while in the case employees of public banking sector were found to be 3.34 and 0.55 respectively. The t-value between two means was found to be 6.17 which was significant at 0.05 level of significance. Thus, the second underlined hypothesis of the present investigation that (there will be significant difference between affective commitment dimension of public and private bank's employees) is proved.

The Mean and SD in the case employees of private banking sector on continuance commitment dimension were found to be 2.47 and 0.50, while in the case of employees of public banking sector were found to be 3.03 and 0.65 respectively. The t-value between two means was found to be 3.87 which was not significant even at 0.05 level of significance. Thus, the third underlined hypothesis of the present investigation that (there will be

significant difference between continuance commitment dimension of public and private bank's employees) is not proved.

The Mean and SD in the case of employees of private banking sector on normative commitment dimension were found to be 2.44 and 0.56, while in the case of employees of public banking sector were found to be 3.59 and 1.01 respectively. The t-value between two means was found to be 5.65 which were significant at 0.01 level of significance. Thus, the fourth underlined hypothesis of the present investigation that (there will be significant difference between normative commitment dimension of public and private bank's employees) is proved.

Conclusion

Finally, it is concluded that employees of private banking sector are more committed as compared to the employees of public banking sector. These results are supported by many studies like; Khan (2015) examined that private school teacher's present higher organization commitment as compared to the public school teachers. There may be several reasons behind this result. Employees of public banking sector have high job security in their organization while in the case of employees of private banking sector they have very low job security. Due to the lack of job security in the employees of private banking sector, put higher commitment to the organization to secure their job for the long period of time. Poor quality of work life developed boring, laziness, stress and physical distress etc among the employees. These factors are unfortunate affected employees' commitment at work place. Thus, the study gives extensive scope for the upgrade of quality of work life in public banking sector to boost the employees' commitment.

Implications

The survey present that organization commitment, loyalty, bond to the organization are positives. There appear some problems in the organization setup which require to be addressed. Top management should emphasis on employee's requirements while drafting polices. Maintaining higher level of organization commitment in banks regulates not only the performance of the bank but also effect the growth and performance of the entire economy.

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Investors and Executives Perspective towards Debenture Market in Nepal

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Abstract

The sustainable growth of an economy depends primarily on the amount of labor and capital available within a nation. In a way, a strong financial system of a country leads to a better economy. This research paper dealing with one of the important financial instrument i.e. debenture. Debenture market sets a pre-requisite for the development of a better economy. Debenture market in Nepal has been found weak from efficient with respect to a product, size, trading platform, types, issue, infrastructure, etc. This substantiates the lopsided development of debenture market. In view of this, the present study has been conducted aiming at finding the real cause of low trading of debenture in Nepal. Embedded research design has been used where primary data has been collected through two structured questionnaires distributed among 120 investors and 40 executives with an unstructured interview conducted with four market personalities. The study finally has suggested some important measures as investment environment and awareness level in terms of investors and investment alternative, awareness level and regulatory and rating in terms of executive needs focus for development of debenture market in Nepal in order to make it more effective for the development of capital market. At nutshell, the finding from this research states the market is not so mature regarding the debenture and the above-mentioned areas need focus and limelight.

Keywords: debenture market, investors, executives

Introduction

Every researcher has been researching the question: Should there be a correct mixture of financial instruments to make a perfect economy or only one arm stable investors are enough? The development of economy depends mostly on the establishment of sound, effective and efficient financial system in a country. A well-developed financial system plays a significant role in accelerating economic growth by mobilizing savings and facilitating investment in an adequate manner. So, the combination is important because it is the only medium that stabilizes the economy of a country.

The debenture market is an integral part of financial market plays a complementary role in developing economy through the allocation of funds to the different deficit sectors. The debenture market of Nepal is too small and is still at early stage of development. The number of debentures being issued in the Nepali capital market is low compared to other instruments of capital financing. The equity market has grown in the recent years accounting for 53.4 % but debenture market, in contrast, has had no noticeable growth. (Asian Development Bank, 2014; SSA, NEP).

The history of the capital market in Nepal dates back to 1936 in which the shares of Biratnagar Jute Mills Ltd. were floated. In 1937, Tejarath got an entry to facilitate loans to the government employees and was converted into Nepal Bank Ltd. Nepal government introduced the Company Act in 1964 and the first issue of government bonds made in the same year through Nepal Rastra Bank to collect the developmental expenditures. Nepal government announced the Industrial Policy in 1974 and under this policy an institution named Securities Marketing Center (SMC) was established to deal in government securities-development bonds and national savings bonds, and corporate securities of few companies. In recent times, government debenture market is very big compared to the corporate debenture market. At the FY 2016/17, the par value of outstanding government debenture stood at 173.3 billion whereas corporate debenture stood at only 9.37 billion. The market shows that corporate debenture consumes only 5% of the total debenture market of Nepal.

In spite of having a long history of more than 53 years, the development of debenture market in Nepal has remained worst. Since the debenture market has been established, it has been a playground for government to overcome excess liquidity and collect fund to solve the problem of fiscal deficit. The par value of corporate bonds outstanding on mid-July was only 0.36 percent of GDP. Par value of outstanding corporate bonds and government bonds combined was only 7.02 percent of GDP whereas the market capitalization of listed equities and bank loans were respectively 71.44 percent and 76.42 percent of the GDP on mid-July 2017 (NEPSE, 2016; Developing Corporate Bond Market for Robust Economy).

Research has shown the significance of debenture market in Nepal and the history has proved their- own part of the importance of the debenture market. For instance, why the Nepalese market is not accepting the debenture market? Why are investors not interested in this? Why are issuers not trading it? This has become the core subject of the study. This research paper, therefore, deals with finding the reason for the less implementation of the debenture in the market in perspective of both institutions and investors.

In the context of Nepal, no research has yet been done on this matter taking the perspective of both investors and executives. This research paper poses on finding out the reason for the same by including various factors. This research paper takes the prospect of the individual investors, institutional investors of their low interest on debenture market and at the time,

the prospect of the issuers of having a low participant on debenture market. Although it is not the primary focus of the study, this research paper also examines the determinant that hinders the development of the debenture market in Nepal. So, this research paper has tried to explore the reason for the following research questions as to why the Nepalese market has less priority for debenture market? And which factor effect the most to investors and issuers decision towards debentures? In order to fulfill the research questions, the objectives as to analyze the factors affecting investment decision of investors on debenture market and to explore the factors affecting the attitude of executives' towards debenture issuance have been taken for this research paper.

Answering the question will explain the number of puzzling sections towards the debenture market. This research paper has tried to find a substitute or a complementary relation between the investor, institution, and regulator that will empirically help the corporate bodies and regulators to formulate a sound debenture market in Nepal. Hence, this has greater importance in the context of Nepal.

Our financial market is focusing on only one type of investment. That is leading every investor to bear the same kind of risk in the market. The situation will be on control if the market will treat you good, but if not every investor would bear the loss and damage will be there to the whole economy. That is why there is a high need of debenture market to keep our economy stable. The whole Nepalese market is mostly linked to the stock. If we will go to the textbooks, you need to have a negative correlation of portfolio to earn a higher return for which diversification is a must, this whole thing is missing in our market.

In addition to this, this paper exerts the possible relation between various micro and macro factors that influence investors and issuer decision on debenture market. This study gains a positive effect on the economy, on one hand, enables market participants to foster the opportunities available in the market and thereby accomplishing the objectives on the other hand.

Review of literatures

Khalid (2007) studied the development of the bond market in emerging economies with a focus on Pakistan. The main objective of this paper is to explore the reasons for a slow development of the bond market in emerging economies. Khalid (2007) observed that Pakistan needs to satisfy a set of pre-requisites before some meaningful progress in domestic bond market development is made. Those pre-requisites are regulation to meet an efficient bond market, political instability, lack of complete information about the bond to the investors, high level of fiscal deficit and external and internal debenture. This research paper states the four factors that can slow down the bond market in emerging countries.

Similar findings were extracted through the research done by Leal and Silva (2006), where they included fiscal policy improvement as one of the measures to improve the bond market. Also, Yu, Fung, and Taml (2007) concluded a lack of regulatory reform as one of the major factor that hinders the development of the bond market in Asia. Along with that, Fabella and Madhur (2003) considered strengthening the regulatory framework as one of the important initiatives to develop the bond market in East Asia. The study done on bond market of Nepal stated the same conclusion as regulatory and supervisory insights, developing accounting standard and implementing a clear tax system as significant factors to improve bond market in Nepal (The World Bank, 2008; South Market Bond Markets).

Jahur and Kadir (2010) studied the Development of Bond market in Bangladesh: Issues, status, and policies. The study was undertaken to identify the problems that impede the growth and development of Bond Market in Bangladesh. The study has found that the size of the bond/debenture market of Bangladesh is very low as compared to other SAARC Countries; has huge growth potentiality, and identified important factors affecting the growth and development of Bond Market in Bangladesh as: (i) risk and return factor, (ii) liquidity and government policy factor, (iii) issue management factor, (iv) investment policy factor, (v) macroeconomic and regulatory factor, and (vi) market & issue related factor. The study done on Sub-Saharan Africa stated the same kind of results. It considers the stage of development and size of the bond market, as well as historical, structural, institutional and macroeconomic factors driving bond market development in SSA (Adelegan & Radzewicz-Bak, 2009).

Plummer and Click (2003) studied on Bond Market Development and Integration in ASEAN. ASEAN countries have been trying to diversify their heavy reliance on the banking sector in favor of other financial intermediation vehicles, including equity and fixed-income markets. This research paper cleared out that the bond market development is a priority in all ASEAN countries as a part of their respective financial deepening programs. Further, they suggested consisting diversification, higher regional cooperation, transparency, and various government and market infrastructure measures for proper development of bond. Similarly, Braun and Briones (2006) also stated characteristics of the debenture itself matters for the development of the bond market.

Yu, Fung, and Taml (2007) studied Assessing Bond Market Integration in Asia. This paper looks into the degree of integration of sovereign (government) bond markets in Asia. It provides a survey of indicators and measures to monitor the development, measure progress and assess the state of bond market integration in the region. Their empirical results broadly show that there is only a weak bond market integration in the region and very little progress has taken place since 2003. It found out that lack of cross-investment, liquidity risk and lack of regulatory reforms have hindered the development of the bond market in Asia.

Chabchitrchaidol and Payannukul (2005) also considered free floating bonds as important for consistent Thai bond market. Gau and Liao (2010) also stated global factors including world bond and stock excess returns play an important role in determining the emerging market bond returns. In contrast, overseas cross-investment as bank borrowing has been stated as one of the obstacles to the development of the domestic corporate bond market (Batten & Kim, 2000).

Asian Development Bank also studied on "Nepal: Capital Market and infrastructure Capacity Support Project", where a separate study on bond market of Nepal has been done. They studied the determinant that hinders the bond market development in Nepal. The report states the determinants as lack of capacity for efficient public Debenture management, weak legal, institutional and regulatory framework, lack of credible benchmark long-term yield, lack of issuers and insufficient investors base, lack of primary dealer system and secondary market, inadequate bond market infrastructure, absence of specialized market intermediaries and credit rating agency, high cost of trading and differential taxation are main cause that slow down the Nepalese bond market (Asian Development Bank [ADB], 2014; SSA: Nepal: Capital Market and infrastructure Capacity Support Project). Gurung (2004) and Mainali (2016) also have stated the importance of infrastructure and secondary market for the development of debenture market in Nepal.

The study on bond market of Nepal was by the World Bank on the topic entitled "South Market Bond Markets". The report contains context and recommendation for the bond market of each country. The report condemns further improving money market, developing a reliable issuance calendar and improving cash management as a key solution to improve supply side on the bond market in Nepal. On the demand side, broadening the investor base could make the market better. On the market infrastructure side, establishing a primary dealer system and introducing a scriptless security settlement system are needed. Lastly on the legal and regulatory framework, enhancing corporate governance, strengthening regulatory and supervisory insights, developing accounting standard and implementing a clear tax system are significant to improve bond market in Nepal (The World Bank, 2008; South Market Bond Markets).

The methodology

Measures

This paper try to find the core variables that influence the decision of both investor and institution in the debenture market of Nepal. Major variables have been undertaken through the findings of the literature review. The factors below have been from the articles above in the literature review linking the context of the Nepalese market. Also, the study done by the World Bank, Asian Development Bank, and International Monetary fund has been given

more emphasis and it relates closely to the Nepalese market. Most of the factors have been taken to evaluate from these studies.

The measures have been taken in order to accomplish the given objective and meet the interest of this research paper. Specifically, the investment decision of investors has been measured taking investment alternative, awareness level, regulatory and rating, and investment environment whereas the issuance decision of executives has been measured taking investment alternative, awareness level, regulatory and rating factors.

Investment Alternative. Investment alternative factor was taken to know the view of both investor and executive. These are the factors that currently exist in the environment and can affect the investment decision on investment of debenture. How the environment is moving towards the financial sector, how the availability of other securities is affecting the investors decision, investors' behavior and this relates the entire factor watching market as a whole. Those market-related factors could be the dominance of banking stock market, smaller investor base, and moderate economic growth and saving rate.

Like the investor, issuers' decision also gets affected by the market available securities. It is essential to know the market view for debenture or how other securities affect your decision regarding debenture. They should know how well other securities can affect the issuer decides to issue debenture. Those factors taken for a study regarding this are the proper trading platform for bond ad loan substitution.

Awareness Level. Awareness level was taken to know the view of both the investor and executive. These factors are related to the kind of risk investor like to carry and aware about its return. This could be one another factor as investor decision could vary on how well they know about playing with the debenture in the finance market. How well aware they are of the risk and return they carry over the span of time. So, these include undefined debenture benefits and lack of knowledge regarding debenture.

On the executive part, it basically includes the investor's perspective. By the end of the day, they are the one that invests in the debenture, so their character can affect the issuer to issue debenture in the market. Those factors taken are public awareness and lack of individual investor.

Regulatory and Rating. Regulatory and rating was taken to know the view of both investor and executive. This is yet another factor affecting the investment decision of investor on bond. How well government and regulation are been able to regulate the bond market matters a lot as people invest their money in this. So, the government plays an important role in this. So it includes political instability and credit rate agency.

Also, the issuer has to fulfill all the factors that the regulator has started to issue the debenture on market. So, the act of government and the regulatory could also affect the decision of the issuer to issue the bond. That includes rating company for debenture, criteria to meet for debenture issuance and tax treatment for rating company for debenture issuance.

Investment Environment. Investment environment factor was taken to know the view of investor towards it. This includes the characteristic of debenture itself that affect the investment decision of the investor. Type, nature and basic information about the bond matter a lot while investing in it. These factors include no diversity in bond, lack of confidence in debenture market, equal interest return until maturity and a limited supply of debenture.

3.2 Data collection

The sample size taken for this study is of total 160 respondents. For the investor, 80 sample size is taken from the individual investors, 40 sample size is taken from institutional investors whereas, for the corporates, 40 sample size has been taken as 15 corporate bodies that have issued debenture will be the population size. These 40 sample size for executives consist of the participant of branch managers, assistant branch managers, finance department heads and treasury department heads. Also, for the unstructured interview, interview four personalities have been taken.

Data analysis

Research design and plan gives a master framework for the study. It further guides the data collection and analysis phase. The research design applied to the study is "Embedded Research Design". This research paper will have a larger portion of quantitative analysis with the small part of the qualitative session.

On the other hand, a descriptive and analytical analysis is taken to tap the relationship between the dependent and independent variable. The data for further analysis will be collected from the respondent through a questionnaire in the printed format. The self-administered questionnaire has been used to draw the conclusion. Also, the unstructured interview is added on the part of the qualitative session. Hence, this paper generates the finding that will reach the conclusion for the reason of slow trading of the debenture. The method of transcribing, coding, categorizing, thematizing, meaning making and theorizing is used in regard to an unstructured interview.

Results and descriptions

The result obtained from the study is mentioned under two segments: investors' part and executives' part where the statistical data is presented and inferential analysis are tested regarding the hypothesis and their significance to the statement are presented.

Investors perception on investment in debenture

A 120 sample sizes of investors were taken with an unstructured interview of one of the active investor. Age group percentage of 20-30 years is 32.5%, 31 – 40 years is 25.8%, 41 - 50 years is 20% and 51years & above is 21.7 % respectively. Similarly, 74.2% are male and 25.8% are female. Out of the sample taken, 26.7% have invested in debenture which leaves 73.3% not investing in debenture. Lastly, among the respondents 74.2% are male and 25.8% are female.

Table 1

Correlation analysis of independent and dependent variables

	Investment Decision	Investment Alternative	Awareness Level	Regulatory and Rating	Investment Environment
Dependent Variable	1	.083	.156	.047	.355**
Investment Alternative		1	.046	-.012	.314**
Awareness Level			1	-.039	.150
Regulatory and Rating				1	.289**
Investment Environment					1

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

Table 2

Regression analysis of factor influencing investment decision on debenture

	Beta	T-value	Sig.	VIF
(Constant)	1.349	3.114	0.002	
Investment Alternative	-0.044	-0.417	0.678	1.124
Awareness Level	0.089	1.141	0.256	1.031
Regulatory and Rating	-0.051	-0.617	0.538	1.114
Investment Environment	0.457	3.792	0.000	1.259
R-square	0.140			
F	4.692			
Sig	0.002			

The table 1 and 2 states that the investment environment is the only one factor that affects the investment decision of investors towards debenture. Under regression, investment environment provides a significant contribution to the investment decision of investors

on debenture at 0.000 ($p < 10$). Also considering correlation, the corresponding p-value is 0.000, which is lower than the level of significance (α) = 0.05, indicating that there is a significant association between investment decision and investment instrument.

Also while the qualitative session was taken, respondent cleared out the true picture regarding the government debenture market. There is 40 debenture listed in the market including both government and corporate debenture. Government debentures are somehow invested by the bank and financial institutions of the market in order to maintain the SLR and stay under the regulation. They keep on investing on the same instrument and hold it rather than trading. That itself makes trading less in the market and individual investors unaware of it. This also adds up on the conclusion that the investment environment is the factor that affects the investment decision of investors towards debenture in Nepal.

Executives perception on investment in debenture

40 sample sizes of executives were taken with the unstructured interview of four market experts. The respondent shows the distribution of respondent by their position, of which in terms of percentage 22.5% is the branch manager, 25% are assistant branch managers, 30% are financed department heads and 22.5% are treasury department heads. Similarly, among the participants 17.5% have 3-5 years of experience, 17.5% have 5-8 years of experience and 65% have 8 years and above experience. Lastly, when they were given a choice of choosing the medium to collect the money, 40% prefer to share, 22.5% have preferred debenture and 37.5% prefer fixed deposit.

Table 3

Hypothesis testing through F value

Measures	F- value
Investment Alternative	0.023
Awareness Level	0.016
Regulatory and Rating	0.981

The table 3 states that there is no significant relationship between investment alternative and issuance decision. Since, $p\text{-value} = 0.023 < \text{level of significance } (\alpha) = 0.05$, i.e. there is significant relationship between investment alternative and issuance decision of debenture. That means the investment alternative factors affect the decision of the issuer to issue debenture. Also, while f test was taken, p-value came out to be 0.016 which is less than the required level of significance (α) = 0.05 i.e. there is a significant relationship between awareness level and issuance decision of debenture.

Also, the view of experts gave the same result while the qualitative session was taken under this. The first respondent depicts the behavior of Nepalese people as the main problem of

the unpopularity of debenture in the market. Nepalese people do not have the patience as they want a quick return. So, people do not want to invest in something like debenture where the return will take a year or more to be placed.

The second respondent stated that there is a lack of knowledge regarding the debenture to the investors in the market. People are even unaware about the availability of debenture which can be used as a medium as a holding asset. So, lack of knowledge is a major problem. This shows that there is a relationship between awareness level and issuance of companies so the hypothesis is rejected.

Lastly, the table states that there is no significant relationship between regulatory and rating and issuance decision. While f test was taken, p-value came out to be 0.981 which is high that level of significance (α) = 0.05, we do not reject H₀, i.e. there is no significant relationship between regulatory and rating and issuance decision of debenture. This states that regulatory and rating does not affect much on the decision of issuing debenture in the market.

The view of the expert gives the contrasting view. Two of the market experts were interviewed where their views stated that there is a significant relationship between them. First, According to the participant, the main reason for having low participants in the debenture market is due to the provisions related to the Company Act.

On the Act number 35 of the Companies Act 2007, it clearly stated that the company issuing debenture shall appoint "Debenture Trustee". This provision has been made to control the fraud cases which occurred during issuance of debenture earlier. This lead to low participation and trading of debenture as no one wants to take that responsibility. Therefore, it can be said that there is a relationship between regulatory and rating and issuance of debenture by the corporate which means the hypothesis related to the executive part of regulatory and rating is rejected.

Second, respondent stated that complicated buying and selling procedure of the government debenture to the investors is making debenture unpopular. It can be said that there is a relationship between regulatory and rating and issuance of debenture by the corporate which means the hypothesis related to the executive part of regulatory and rating is rejected.

Conclusion

The finding from this research states the market not so mature regarding the debenture and there are many areas that need focus and limelight. First of all, both investors and executives should get a proper knowledge of debenture and the way it can be used. They need to analyze investment factors carefully using the reasonable business knowledge before making an investment and issuance decision. The investors should be able to interpret the

investment environment and awareness level since they affect their investment decision towards debenture.

The executives now from this study should be able to maintain proper procedures to make debenture work in the market. As investors get affected by the investment environment and awareness level, they should make a proper planning regarding the same. As on investment environment factor, more diversities of the bond shall be issued with the proper knowledge to the investors. There is a high need for financial literacy programs for investors in order to make proper profitable investment decisions, explore sources to play with their portfolio and to gain the best investment decision.

Now on the regulatory part, the policies and rules should be made comfortable for the executives to issue the bonds properly. The result states that investment alternative, awareness level and regulatory and rating affect the corporates to issue debenture in the market. Proper policies, procedures, well-managed trading platform, and sound frameworks should be made in order to make corporates comfortable to issue debenture in the market. Among all, this study states that the awareness level is the main factor that should be solved to make debenture work in the Nepalese market.

At nutshell, every instrument has an equal role to play on the market to have a stable economy. The importance of debenture arose from the same scenario. The result of this research paper has assumed to change the current market scenario towards the debenture.

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Relevance of Pecking Order Theory and Trade-Off Theory in Financial Decision Making; Evidence from Manufacturing and Plantation Sector Companies in Sri Lanka

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Abstract

This study tests the relevance and the applicability of pecking order theory and trade-off theory in financial decision making using 50 manufacturing and plantation sector companies listed in the Colombo Stock Exchange (CSE) from 2011-2017. Pecking order theory explains that there is no a well-defined debt equity target rather there is an order i.e., equity first and then external sources. Trade-off theory identifies the optimal debt-to-equity ratio as the level at which the cost of two offset each other. This study uses the pool regression, fixed effect and random effect models. Profitability, Tangibility, Firm size, Growth opportunity and non-debt tax shield were used as independent variables, while Leverage was the dependent variable. The study finds that both the theories are relevant in manufacturing sector and trade-off theory is applicable only for plantation sector in Sri Lanka.

Key words: Financial Decisions, Capital structure, Leverage, Trade-off Theory, Pecking Order Theory

Introduction

This paper provides further evidence of the relevance of trade off and pecking order theory in financial decision in the developing country. Every organization tries to increase their market value through decision making. Financial decision making may lead to increase or decrease market value in an organization. Therefore financial decision making is playing a vital role in the modern business world. The capital structure decision is a major financial decision in an organization. Because it explains how to raise funds to achieve the objectives of the firm.

The researchers in the past have looked into the capital structure from various theoretical perspectives and brought forth a number of theories on capital structure. Pinegar and wilbricht (1989) and Hittle, Haddad and Gitmam (1992) finds that trade-off theory and pecking order theory are more applicable theories to explain the capital structure among

other theories. Empirical findings suggest that profitability, Firm size, growth opportunity, tangibility and non-debt tax shield are the main determinates in the capital structure decision. Researches in the past, questions what is capital structure decision, what are the determinants of capital structure, the relationship between capital structure and firm value and how companies choose their capital structure. Most of the research works have been carried out in developed economies and very little is available about the capital structure of firms in emerging economies.

Graham and Harvey (2001) and Mukherjee and Mahakud (2012) confirm that the two theories are complementary. Karadeniz, Kandir and Onal (2009) find both trade-off and pecking explain some part of the capital structure in Turkish firms. Gaud, Jani and Bender (2005) find both trade-off and pecking explain some part of the capital structure in Swiss companies. Chakraborty (2010) explains that Pecking Order Theory can largely explain the capital structure in India in the post-reform period. Chen (2004) explains that a remarkable difference between the capital choices of Chinese firms and firms in developed economies.

Conclusions from theoretical and empirical research carried out in developed economies may not be applicable for developing countries. Because, differences of countries will affect to the financial decision making, for example legal system, government policy etc.

There are few studies done in Sri Lanka in this field and most researchers have not considered all the sectors in Sri Lanka for their research and never identified the cross section differences regarding the capital structure decisions. There are huge differences between sectors, such as nature of the business, capital structure requirement, and requirement of tangible assets are different. Countries like, Japan, India, China, Bangladesh and United States have identified that sector differences are affected for the capital structure decisions.

Therefore the validity and application of the Trade-Off and Pecking Order theory in analysing the Sri Lankan company's capital structure are analysed partially in the past, it is not still properly analysed the validity and application of both trade-off and pecking order theory in all sectors in particular to specific sectors like manufacturing and plantations sectors so that it is questionable whether those two theories are applicable to these sectors.

The main purpose of this study is to identify the extent the pecking order theory and trade-off theory are applicable in determining capital structure of manufacturing and plantation companies listed in the Colombo stock exchange and to identify the most applicable theory in determining capital structure of manufacturing and plantation companies listed in the Colombo stock exchange.

This study investigated the relevance and the applicability of pecking order theory and trade-off theory in financial decision making using 50 companies and 350 balanced panel data Non-financial firms for the period of 2011-2017 listed in the Colombo Stock Exchange (CSE) using the pool regression, fixed effect and random effect model. In manufacturing and plantation sector, leverage decision is influenced by Profitability, Tangibility, Firm size and Growth opportunity.

The paper is organized as follows: first section of the paper gives a brief introduction to the background of the study and literature research and the research objectives. Section 2 gives description of the methodology. Section 3 discusses the results from the model used section 4 presents the conclusion and section 5 list down the references.

Literature review

Theoretical review

Capital structure theories presents in different angles, the modern theory of capital structure begins with the celebrated paper of Modigliani and Miller (1958). Agency costs introduced by Jensen and Meckling (1976) building on earlier work of Fama and Miller (1972). Asymmetric information signalling framework is introduced by Leland and Pyle (1977). The legal environment Framework is introduced by La Porta (1997). Pecking order Framework is introduced by Myers and Majluf (1984) and Myers (1984). Target leverage Framework is introduced by Fischer (1989). Transaction cost Framework is introduced by Williamson (1988).

The Modigliani and Miller propositions

The theory of capital structure was originally developed by Modigliani and Miller (1958). There are two major theories of capital structure which form basis of the paper. The first one is trade off theory and second one is pecking order theory. Therefore, theoretical principles underlying the financing, capital structure and lending choices of firms can be explained either in terms of a static trade-off theory or pecking order theory. The static trade – off theory explains various aspects, such as the exposure of the firm to insolvency and agency cost in contradiction of tax benefits associated with usage of debt. This theory is called “irrelevance theory” it means that the capital structure decisions that a firm takes does not have any impact on its value.

Trade-Off theory

The trade-off theory is developed from the models established on taxes and agency cost. Modigliani and Miller (1963), and Jensen and Meckling (1976) De Angelo and Masulis (1980) posit that the firm has an optimum capital structure by balancing the benefits of debt and the cost of debt. Miller (1977) distinguishes three tax rates in the tax legislation of the USA that determine the firm’s value. Those are the rate of corporate tax, the tax rate

imposed on the dividend income and the tax rate imposed on the interest income. Further Miller reported that the value of the firm depends on the relative amount of each tax rate, related with the other two.

Pecking Order theory

The idea of asymmetric information in determining the optimum capital structure is primarily stated by Myers (1984) and Myers and Majluf (1984). They focus on the information asymmetries between firm insiders and outsiders. They anticipated that managers take decisions in order to increase the wealth of current shareholders.

Empirical review

Karadeniz, Kandir and Onal (2009) find both trade-off and pecking explain some part of the capital structure in Turkish firms. Gaud, Jani and Bender (2005) find both trade-off and pecking explain some part of the capital structure in Swiss companies. Chakraborty (2010) explains that Pecking Order Theory can largely explain the capital structure in India in the post-reform period. Chen (2004) explains that a remarkable difference between the capital choices of Chinese firms and firms in developed economies.

Senaratne (1998) finds that partially support the pecking order theory to explain the capital structure decisions in Sri Lanka. Samarakoon (1999) suggest Sri Lankan companies follow Pecking Order Theory partially. Pratheepan and Banda (2016) finds that evidence to support the pecking order theory by manufacturing based companies on the relevant determinant of profitability variable, and growth variable also strongly support to the implication of the pecking order theory.

Development of hypothesis

According to the literature related to the determinants of capital structure following determinants and theoretical models can be identified. Pecking order theory and Trade-off theory explain the capital structure decision in an organization. Capital structure explains the leverage (composition of debt and equity) in an organization. The earlier empirical studies use following mentioned determinants to measure the leverage in an organization. Literature also discusses some firm-specific determinants of capital structure for both the trade-off theory and the pecking order theory. These determinants are 'Profitability, Firm size, growth opportunity, tangibility and non-debt tax shield.' It becomes especially worthwhile to investigate the firm-specific determinants Profitability and Firm size, since different outcomes are expected when comparing the static trade-off theory and the pecking-order theory with one and another.

Profitability

The theoretical prediction about the effect of profitability on leverage is confusing. Concerning the relationship between liquidity and debt, the pecking-order theory assumes

that a negative relationship exists because firms with high liquidity tend to borrow less. The thinking behind this negative relationship from the pecking order theory is more liquid firms are in possession of more internal funds. The pecking order theory assumes that these internal funds first use when financing is needed (Deesomsak, Paudyal, & Pescetto, 2004). Most empirical studies confirm the negative relationship between liquidity and debt (Titman & Wessels, 1988; Rajan & Zingales, 1995; Booth., 2001; Chen, 2004).

According to the trade-off theory, more profitable firms support to have more debt-serving capacity and more taxable income to shield. Therefore, according to this theory, when firms are profitable they are likely to prefer debt to other sources in order to benefit from the tax shield. Hence a positive relationship expects between profitability and leverage (Chen, 2004). Trade-off theory gives a signal to the society that rational investors are likely to maintain a higher firm value from a high debt level. Moreover, by using debt managers want to signal firm prospects to not well-informed outside investors. These investors believe these signals since it is very costly for weak firms to signal in the same way (Chen, 2004). Further, a more successful firm will probably take on more debt because the firm can reduce the taxes from its higher earnings due to the extra interest (Deesomsak, 2004). The pecking order theory assumes that there exists a negative relationship between profitability and leverage because when firms are more profitable, it has more internal funds in possession. These extra retained earnings will use first as investment funds and then which will be moved on to bonds and new equity when necessary (Huang & Song, 2006).

Tangibility

Concerning tangibility, both the trade-off theory and the pecking-order theory assume a positive relationship between asset tangibility and leverage. When firms are in possession of relative high tangible assets than the lender's risk of suffering agency costs can be diminished, since these assets can use as collateral (Huang & Song, 2006). When looking more closely to the trade-off theory and its relation to asset tangibility and debt issuing, it says that the result is consistent in terms of financial distress and bankruptcy costs. The pecking order theory explains this positive relationship in terms of asset mispricing (Chen, 2004). Moreover, when asset tangibility increases, the liquidation value of the firm does this also resulting in a decrease of the probability of mispricing in the event of bankruptcy. Firms that are unable to provide collateral will have to pay higher interest or might be forced to issue equity at the expense of debt (Deesomsak , 2004).

Some studies from the developed countries report a significant positive relationship between tangibility and total debt (Titman & Wessels, 1988; Rajan & Zingales, 1995 among others). However, the findings from the developing countries are mixed. Wiwattanakantang (1999) observes a positive relationship between tangibility and leverage in Thailand, but Booth (2001) for ten developing countries and Huang and Song (2006) for China finds a negative

relationship. According to Huang and Song (2006) and Bevan and Danbolt (2002) we measure tangibility as the ratio between fixed assets and total assets (TANG).

Firm size

The theoretical prediction about the effect of firm size on leverage is confusing. Rajan and Zingales (1995) argue that larger firms generally disclose more information to outsiders than smaller ones. Larger firms with less asymmetric information problems should tend to have more equity than debt and hence have lower leverage. Therefore, following the pecking order theory of capital structure, it expects that the size of the firm would be negatively related to leverage. On the other hand, according to the trade-off theory, larger firms tend to be more diversified and thus less prone to bankruptcy. This argument suggests that firm size should be positively related to the leverage. A large number of studies find positive relationship between firm sizes and leverage (Booth and Maksimovic 2001; Wiwattanakantang, 1999; Huang and Song, 2006; Rajan and Zingales, 1995). On the other hand, Bevan and Danbolt (2002) observe that firm size is negatively related to short-term debt and positively related to long-term debt.

Growth opportunities

According to the pecking order theory, there will be stronger preference for external financing, especially for debt. Hence we expect a positive relationship between growth and leverage. On the other hand, as discussed earlier, firms with growth opportunities may invest sub-optimally. Therefore creditors will be more reluctant to lend for longer periods. Rajan and Zingales (1995) and Booth (2001) find positive relationship between growth and leverage. According to trade-off theory there is a negative relationship between Growth opportunities and leverage. Frank and Goyal (2009), and Huang and Song (2006) empirically prove negative relationship between Growth opportunities and leverage

The variables use in this study and their measurement are largely adopted from existing literature. This will help to highlight the similarities as well as differences in the determinants of capital structure in other countries. This study considers four key variables identified in studies by Rajan and Zingales (1995), and Bevan and Danbolt (2002). The Select independence variables are profitability, Tangibility, Firm size and the level of growth opportunities

Non-debt tax shields

The tax deduction for depreciation and investment tax credits is called non-debt tax shields (NTDS). Firms are likely to favour debt because they can benefit from the tax shield due to interest deductibility. Thus we expect a positive relationship between effective tax rate and leverage. However, DeAngelo and Masulis (1980) argue that non-debt tax shields (such as tax deductions for depreciation and investment tax credits) are substitutes for the tax benefits of debt financing and a firm with larger non-debt tax shields is expected to

use less debt. Therefore an increase in non-debt tax shield can affect leverage negatively. This relationship is corroborated empirically by Wald (1999), Chaplinsky and Niehaus (1993) and Huang and Song (2006). Following Huang and Song (2006) we use the ratio of depreciation and amortization to total assets as the measure of non-debt tax shields (NDTS) in this study.

Research methodology

The quantitative (deductive) research design is used for this study. The secondary data strategy is usually associated with the deductive approach.

Data and sample

The researcher uses quantitative approach to achieve the objectives of this thesis and uses annual data on Manufacturing and Plantation Sri Lankan companies which are listed in the CSE, for the period 2011- 2017 covering 7 years. Researcher uses balanced panel data on 50 companies and 350 balanced panel data Non- financial firms traded in the CSE. E-Views- 6 Statistical package is used to analyse the panel data in this research and results are presented in the form of tables and graphs. The data were averaged over the seven years to smooth the leverage and selected variables. Two set of samples are selected. The first one is from 31 manufacturing sector companies and 19 plantation companies listed on Colombo Stock Exchange covering the period of 2011-2017.

The variables

This study uses four independence variables identified in studies by Rajan and Zingales (1995) Profitability, Tangibility, Firm size Growth opportunity and non-debt tax shields were used as independent variables, while leverage was the dependent variable. The variables used in this study and their measurement are largely adopted from existing literature. This will help to highlight the similarities as well as the differences in the determinants of capital structure in other countries.

Research model

$$LEV-t(mv)_{it} = \beta_0 + \beta_1(PROF) + \beta_2(TANG) + \beta_3(SIZE) + \beta_4(GROW) + \beta_5(NDTS)$$

LEV - Leverage

PROF - Profitability

TANG - Tangibility

SIZE - Firm Size

GROW - Growth Opportunity

NDTS - Non- debt tax shields

Table 1

Measurement of variables

Determinants	Measurement
Leverage (LEV)	Book Value of total liability scaled by Book value of total assets
Profitability (PROF)	Earnings before interest and tax (EBIT) scaled by total assets
Tangibility (TANG)	Fixed assets scaled by total assets
Growth Opportunities (GROW)	The percentage change of total assets.
Firm Size (SIZE)	The natural logarithm of sale.
Non-debt tax shields (NDTS)	The ratio of depreciation and amortization to total assets

According to the literature, searchers prove theoretical relationship between leverage and capital structure determinants under the pecking order theory and trade-off theory.

Table 2

Theoretical relationship between leverage and capital structure determinants

Determinants	Theoretical Relationship
Profitability	Pecking Order Theory (-)
	Trade-off Theory (+)
Tangibility	Pecking Order Theory (+)
	Trade-off Theory (+)
Firm Size	Pecking Order Theory (-)
	Trade-off Theory (+)
Growth Opportunities	Pecking Order Theory (+)
	Trade-off Theory (-)
Non-debt tax shields	Trade-off Theory (+)

Empirical methodology

In order to determine the firm-and country-specific factors of capital structure in the emerging markets researchers use panel data analysis as the econometric analysis technique (Chen, 2004). This analysis makes use of the data which has both time dimension and cross section dimension. The most common panel data models are the pool regression model, fixed effects model and random effects model. Pooled regressing model neglect the cross section and time serious nature of data. The Hausman test helps to determine which model would result in better premises. If the co-efficiencies are irrelevant, the random

effects model should be used. If they are relevant, the fixed effects model should be used (Hausman & Taylor, 1981). Hausman test explain that,

H₀ -Null Hypothesis: Random effect model appropriate

H₁ -Alternative Hypothesis: Fixed effect model is appropriate

To determine the best model, whether fixed effect or random effect model, significant P value is used.

Results and discussion

Manufacturing sector

Table 3

Results of OLS analysis over different measures of leverage of manufacturing sector

Three different estimation of Leverage equation

Dependent variable – Leverage			
Independent Variables	Fixed	Random	Pooled
PROF	-0.3133*	-0.2869*	-0.2869*
	-0.0583	-0.079	-0.0805
GROW	3.6075**	3.5859**	3.5859**
	-0.0051	-0.005	-0.0055
TANG	-0.0021	0.0251	0.0251
	-0.9847	-0.825	-0.8263
SIZE	-0.0006	-6E-04	-0.0006
	-0.259	-0.236	-0.2386
NDTS	1.5075	1.4859	1.3859
	-0.0351	-0.035	-0.0355
No of observations	217	217	217
R ²	0.1392	0.0983	0.0983
Adjustments R ²	0.087	0.0772	0.0772
F statistics	2.6687	4.6622	4.6622
Probability > F	0.0047	0.0013	0.0013
Durbin-Watson stat	2.0766	1.975	1.975

* Significant at 10% level

** Significant at 5% level

*** Significant at 1% level

Probability of F test statistic is 0.0000 that is highly significant even at 1% level of significant. Therefore the pool regression model is jointly significant to explain leverage. According to the fixed effect model, P value of F test is statistic. The fixed effect model is jointly significant to explain the leverage. The result of random effect regression model, the p value of F test statistic is 0.001. This is highly significant at 1% level of significant. A random effect model is jointly significant to explain the leverage.

Table 4

Hausman test in manufacturing sectors

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	7.3195	4	0.1199

Probability of chi-square test is statistic of the Hausman test is 0.1199 this is highly insignificant at the 1% level. Therefore Null hypothesis (H1) of Hausman test is accepted and it indicate that random effect regression model is most appropriate to explain the effect of explanatory variables on the leverage. According to the random effect model, Durbin-Watson statistic is also 1.9750 it means that there is no serial autocorrelation in the error term in the sample.

According to the individual profitability and Growth opportunity values are highly significant at 10%, and 5% level of significant respectively Tangibility and Firm size are insignificant as their p is greater than 10%. But overall random effect model is highly significant at 1% level. According to coefficient value profitability and growth firm size consist of negative beta (β) value and tangibility and growth opportunity comprises positive (+) beta value. According to the sign of beta (β) value profitability represent the pecking order theory. But the growth opportunity, tangibility and firm size represent trade-off theory. As the P value of growth opportunity is 0.005 this variable is highly significant to explain the leverage individually. Therefore growth opportunity is highly sensitive to leverage of the companies. As the beta (β) value of growth opportunity is positive. Trade-off theory is widely acceptable in manufacturing sector in Sri Lankan companies.

Plantation sector

Table 5

Results of OLS analysis over different measures of leverage of plantation sector

Three different estimation of leverage equation			
Dependent variable – Leverage			
Independent Variables	Fixed	Random	Pooled
PROF	0.6701**	0.6222**	0.6000**
	-0.0368	-0.0433	-0.0423
GROW	-0.2955**	-0.2947**	-0.2943**
	-0.0174	-0.0175	-0.0178
TANG	0.1437	0.16	0.1716
	-0.2302	-0.1763	-0.1429
SIZE	0.2034***	0.2000***	0.1975***
	0.0000	0.0000	0.0000
NDTS	-0.1955**	-0.1947**	-0.1943**
	-0.0164	-0.0165	-0.0168
No of observations	133	133	133
R2	0.7826	0.7671	0.7695
Adjustments R2	0.7617	0.7587	0.7611
F statistics	37.4563	90.6102	91.8223
Probability> F	0.0000	0.0000	0.0000
Durbin-Watson stat	1.8093	1.7244	1.6636

* *Significant at 10% level*** *Significant at 5% level**** *Significant at 1% level*

According to the results of three panel estimation models, PROF, GROW and SIZE have statistically significant at 10% and 5% level respectively to explain the Lev in the plantation sector. Three estimations models are jointly significant. Profitability, Tangibility, Firm size and growth opportunity significant to explain the leverage of the companies are statistically.

According to the results, all models are jointly significant at 1% level. Researcher used Hausman test to identify the appropriate model from fixed effect model and random effect model. The result of Hausman test is provided the table 6.

Table 6

Hausman test in plantation sector

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.41394	4	0.8418

Probability of chi-square test is statistic of the Hausman test is 0.8418 this is highly insignificant at the 1% level. Therefore Null hypothesis (H1) of Hausman test is accepted and it indicate that random effect regression model is most appropriate to explain the effect of explanatory variables on the leverage. According to the random effect model, Durbin-Watson statistic is also 1.7244 it means that there is no serial autocorrelation in the error term in the sample.

According to the individual profitability, Growth opportunity and firm size values are highly significant at 10%, and 5% level of significant respectively Tangibility is insignificant as their p is greater than 10%. But overall random effect model is highly significant at 1% level. According to coefficient value profitability, tangibility and firm size consist of positive beta (β) value and growth opportunity comprises positive (-) beta value. According to the sign of beta (β) value profitability, tangibility, firm size and growth opportunity jointly represent the trade-off theory. As the P value of firm size is 0.0000 this variable is highly significant to explain the leverage individually. Therefore firm size is highly sensitive to leverage of the companies. Trade-off theory is widely acceptable in plantations sector in Sri Lankan companies.

Conclusions

The study finds that Trade-off theory is more relevant to Plantations sector since leverage is positively correlated with profitability, tangibility and firm size and negatively correlated with growth opportunity. Pecking order and trade-off theories are non-mutual exclusive in explaining the financial decisions of manufacturing sector. However firm size and growth opportunity of manufacturing companies support the prediction of trade-off theory while profitability of manufacturing companies supports the pecking order theory.

Directions for future researchers

This paper has laid some groundwork to explore the determinants of capital structure of Sri Lankan companies in the CSE listed companies, upon which a more detailed evaluation could be based. Further work is required to develop new hypotheses for the capital structure decisions of Sri Lankan companies and to design new variables to reflect the institutional influence. A larger, comprehensive, and detailed database is also required for a further detailed capital structure study.

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Patriotism Appeal in Advertising and its Effect on Consumer Behavior

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Abstract

This paper analyzes the effectiveness of the patriotism appeal used in advertisements on consumer behavior. The study uses AIDA model to measure the effectiveness of patriotism appeal. The general attributes of patriotism appeal is selected on the basis of the literatures and analysis of patriotic Nepali Advertisements. A survey of 155 individuals around Kathmandu Valley was undertaken to collect the primary data. A structured questionnaire has been used for this purpose. The findings of this study can be presented as the advertisements with patriotism appeal are effective in grabbing attention, developing interest, creating desire and motivating purchase action in a consumer. Similarly, this research also puts forward the significant association of age of audience, consumer ethnocentrism and education level of audience with the effect of the patriotism appeal in consumer behavior. The benefits of using patriotism appeal in advertisements are seen different in different products. This sort of appeal in the advertisements helps to increase product awareness in general public and also contributes in repositioning the product. This research can be helpful in designing the patriotic advertisements and marketing campaigns to influence multicultural, multiethnic and multilingual community like Nepal.

Keywords: Emotional appeal, patriotism appeal, consumer behavior, nationalism, nation love

Introduction

Advertisement is the most primary way of marketing any product or services (Kotler, 1997). Advertisement can simply be defined as "a paid form of communicating a message by the use of various media. It is persuasive, informative, and designed to influence purchasing behavior or thought patterns" (Juliane, 2006)

Appeal is the theme of advertisement which can be divided into rational and emotional appeal (Kotler, 1997). Rational appeal refers to facts, information and reasons that adds merits to the product so that the consumers get motivated to use the product and services rationally. Whereas, emotional appeal encompasses affective factors that takes help of factors like feelings, sentiments and desires to compel the consumer to buy the product.

We can see number of patriotic Nepalese advertisements that are easy to recall. Nepalese advertisements of newspapers, noodles and construction materials are seen to be using this appeal to larger extent. Patriotism is seen to provide a feeling of pride, love and respect towards the nation. The confluence of patriotism-themed marketing campaigns, mounting nationalism and concerns about the nation's economic stability has transformed consumption into a patriotic and thus political practice (Tsai, 2010). Economic patriotism works to induce pro-social purchase of domestic products and through such acts consumers consciously enact the role of altruistic "helpers" to fellow citizens whose employment is endangered by imported products. (Granzin & Olsen, 1998). Nepali newspapers like Nepal Samacharpatra, noodles like Wai Wai, steel like Jagadamba steel TVC Nepal, cements like Advance cement TVC Nepal, Yak cement, Jagadamba cement, Maruti cement, Ambe cement and Hitech cement are seen to be using patriotism appeal in their advertisements extensively. The construction materials have referred to nation building approach to show patriotism in their advertisements. Cultural diversity, national sovereignty and unity, hope for prosperous future and national symbols are seen to be used as the depictees of patriotism in advertisements.

Statement of the problem

This research is intended to explore the effectiveness of patriotism appeal in advertisements. Though similar research has been conducted in many countries, it has not been conducted with reference to Nepali advertisements. Among Nepali Advertisements, advertisements of noodles, construction materials and newspapers are seen to be widely using the patriotism appeal. The use of patriotism appeal in advertisement appeal is getting popular as the advertisements using it is increasing day by day but, its effectiveness is not measured through any research in Nepal. Thus this research is intended to fill these gaps and give suitable recommendations about how effective is patriotism appeal, so that the marketers can use it effectively.

Objectives of the study

The basic objective of the research project is to know the effectiveness of patriotism appeal used in advertisement of Nepalese products like noodles, construction materials and newspaper. The objectives has been divided into other specific objectives. They are

- To examine if patriotism appeal is able to grab attention of customer towards the advertisement in market.
- To examine if patriotism appeal can develop interest in customer about the advertisement.
- To evaluate if patriotism appeal in advertisement is capable of generating desire about the product in customers.

- To evaluate if patriotism appeal is able to motivate consumer to take purchase decision.
- To evaluate if factors like age, consumer ethnocentrism, education level and media exposure has any significant association with the effectiveness of patriotism appeal in consumer behavior.

Hypothesis of the study

On the basis of previous research articles, following hypothesis are made

H1 : There is significant relationship between dimensions of patriotism appeal and attention on the advertisement.

H2 : There is significant relationship between dimensions of patriotism appeal and interest on the advertisement.

H3 : There is significant relationship between dimensions of patriotism appeal and desire on the advertisement.

H4 : There is significant relationship between dimensions of patriotism appeal and purchase action on the advertisement

H5 : There is significant association between age of audience and effect of patriotism appeal in consumer behavior.

H6 : There is significant association between consumer ethnocentrism and effect of patriotism appeal in consumer behavior.

H7 : There is significant association between education level of audience and effect of patriotism appeal in consumer behavior.

H8 : There is significant association between media exposure and effect of patriotism appeal in consumer behavior.

Related literature and theoretical framework

Literature review

Advertising and its types

Advertising is taken as a global marketing strategy (Liu, Cheng, & Li, 2009), It is defined as a form of communication that is used to encourage the viewer to purchase the product or service being offered (Levitt, 1993). Most popular definition of advertisement is it is any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor (Kotler, 1997).

Berkman and Gilson (1987) has defined advertising appeal as an attempt at creativity that motivates consumer to purchase and affects consumer's attitude towards product or

service. The trend shows that the appeal and creativity in the advertisement attracts more audience than the use of appeal without being creative. Appeals do not always have all the product has attributed but they create an atmosphere where the target audience desires are evoked towards the product. Different appeals enhance effectiveness of advertisements that evoke some emotional reaction in the viewer's mind (Mishra, 2009). If the advertisements are not initially effective, repetition will not make them more effective (Tellis, 2004). According to Forehand, Deshpande and Reed (2002) the consumers are often attracted to the advertisements that links marketing communication with the consumer's psychology, i.e., linking with the social identity.

Patriotism appeal

Patriotism is often associated with an unconditional love and support of one's country, even at the expense of all other countries (Zimmer, 2017). The patriotism appeal is used in different advertisements on the basis of different communication objectives. The patriotism marketers actually tries to link consumer citizenship with consumption. Creatively, patriotism is used as a strategy to (re)construct brand reputation in order to achieve retention in minds of consumers. In context of advertising, patriotism is strongly associated with national identity, consumer ethnocentrism, a decrease in global products, and the empowerment of local brands (Moraru, 2013)

Dimensions of patriotism and its transformation to patriotism appeal

The reasons for a citizen's country love or patriotic feeling differs from person to person. Different literatures discusses about various aspects that triggers country love and pride or patriotic feeling. Throughout the history, it is seen that patriotism has turned to national pride, fight for political autonomy, and even religious independence (Moraru, 2013) .

Some scholars have presented patriotism as blind attachment to certain national cultural values, uncritical conformity with the prevailing group ways, and rejection of other nations as out groups (Adorno et al., 1952). Stearns, Borna and Oakenfull (2003) has presented the concept of moderate patriotism by influencing cultural values and norms. According to an article, dimension of patriotism appeal is national identity which relies on historic territory, a feeling of home and mythical aspects (Smith, 1991) whereas it is also found that its dimensions are culture religion and language (Tolz, 1998).

The world is primarily organized in nation states, i.e. sovereign, geo-political entities organized around one predominant nationality or ethnic group. (Smith & Jarkko, 1998). In order to inculcate feeling of attachment to the homeland, whatever its nature, states possess a variety of symbolic resources linking past with present: traditions, narratives, mythologies and national symbols. Anthropologists underscore the important role played by historical heritage in the manner in which one claims to be patriotic (Shahnazarian & Ziemer, 2012). All territorial assertions draw upon history, which is supposed to justify

claims to a more or less eternal homeland. Both the context and the historic construction of the state thus influence the manner in which patriotism acts on collective identities and the capacity of individuals to grasp this complex notion and put it into practice. (Shahnazarian & Ziemer, 2012).

Democracy simply means freedom, which can be there in any system. The freedom and democracy in the country generates love for the country too. (Bader, 1999). Rourke (1999) argues that it is not a nation unless it feels like one. What it means is that a people within a group must perceive that they share similarities and are bound together by them. Thus this feeling of unity brings the feeling of patriotism with it too. In contrast to individualistic cultures of the western hemisphere, easterners like Koreans develop a sense of identity through interpersonal relationships made in their web of social connections, emphasizing "we-ness" or unity and this unity is taken as the dimension of patriotism too (Choi & Kim, 2003).

Patriotism and development of the country goes hand in hand. Without feeling of nation love, the development can't be meaningful. A hope of prosperous future and development can also be taken as a dimension of patriotism. (Ben, 2008)

Hong et al, (2000) demonstrated that social identities can be primed by visual images or words. They used cultural icons, such as cultural symbols, folklore figures, famous people and landmarks to activate patriotism in audience.

The national symbols, landmarks and monuments evoke patriotism in the citizens of the nation. National symbols are the sign of unity and division. The national flag, national anthems, emblem, national colour and national days brings feeling of patriotism in nation's citizens. The state symbols are linked to events and situations that the citizens psychologically associate with pride, joy, and high spirits, these good feelings may rub off on the flag and other national symbols and enhance their emotional value. The most obvious way through which this is done is participation in international sports events and other national and international events and competitions (Kolstø, 2006). Feshbach and Sakano (1997) notes the role of biological, social and cultural factors in the development of patriotism.

This dimension of patriotism connects members of the political community, which, on the one hand, share the same political status and identity whereas on the other differ according to the type of properties that are part of their choice (e.g. religion or conception of the good) as well as other elements of their identity (e.g., gender, age, race, ethnicity) (Primoratz, 2009).

With reference to the above literatures, the dimensions of patriotism appeal is summarized as follows

- a. Cultural diversity and harmony
- b. Freedom and democracy
- c. National sovereignty and unity
- d. Hope for prosperous future and development of country
- e. Figures, games and activities representing nation.
- f. National symbols, landmarks and monuments

AIDA model

AIDA model is taken as very popular effect model in marketing and communication. This model explains about the hierarchal effect of any event, or information. AIDA model refers to 4 level of hierarchy that is related to consumer's response towards any advertisement. AIDA means Attention, Interest, Desire, Action (Strong, 1925). AIDA model is used to measure the effectiveness of the advertisement (Ghairibi, Danesh, & Shahrodi, 2012).

Hadiyati (2016) in his research has used the aggregate of AIDA as a variable to measure the indirect influence between marketing mix to purchasing decision through AIDA model. In this paper, overall aggregate of the response to question is calculated and it is taken as a variable that define the respondents who agree to it.

Yim and Kim (2009) found that consumer patriotism positively influenced attitudes towards the patriotic ad and advertised brand. Kim, Yim and Ko (2013) has referred to events like national and international sport events, to explain the level of patriotism and its influence in advertisement. Discussing on this, the writers has mentioned that, advertisers and marketers have often utilized patriotic advertisements to increase the effectiveness of the promotional messages that triggers consumer's patriotic emotions. The patriotism itself is integrated form of love and pride regarding various aspects of the country or the society where the consumer belongs to. According to Lury (1996), consumption can be linked to mark the consumer's relationship to a particular social groups and their position in socially stratified groups. In order to maintain such social standards and position and to satisfy the love towards it, or towards patriotism influence people to get attracted, to develop interest, to have desire and to get compelled to purchase the particular product use patriotism appeal to advertise itself.

Factors moderating patriotism appeal

Patriotism appeal is seen varying with the age. The feeling of patriotism in different age group is different in different countries. The public surveys conducted in the USA show that about three-quarters of Americans feel a sense of pride in their country. Patriotism, pride

in the country is installed in US citizens from an early age by parents, schools, universities and the whole society (Tolen et al, 2014)

Schultz and Lauterborul (1993) defined media exposure as any opportunity for a reader, viewer, or listener to see or hear an advertising message in a particular media vehicle. Media exposure is an important driver of the innovation diffusion and has a significant impact on innovators. Thus giving rise to numbers of innovative advertisements (Bass, 1969). The way the advertisers are using the different types of media to advertise product seems to be fascinating. The advertisers use a variety of media to communicate the product benefits to a target audience. For example, television commercials may be used for product demonstrations, print advertisements may be used to communicate information that is more detailed and to establish a brand image, and product packaging may be used to attract consumers at the point of sale (Belch & Belch 1995). Media exposure in this study refers to individual exposure to Nepali channels and the advertisement of the various goods like noodles, cement and steel and newspaper.

Consumer ethnocentrism refers to “the beliefs held by the consumers about the appropriateness, indeed morality, of purchasing foreign made products” and often involves morality pertaining to pride and loyalty to one’s country (Sharma & Shimp, 1987). Some scholars has found that more education brings greater cosmopolitanism and more international orientation, that reduces sense of patriotism in people. (Smith & Kim, 2006)

Research gap

From the previous studies, it can be observed that the patriotism appeal is taken as one of the effective strategies used by advertisers to gain consumers' attention, interest, desire and action in the competitive advertising sector filled with clutters. There are almost no research done about the effectiveness of patriotism appeal in consumer behavior in Nepalese context. The foreign literatures has general findings to explain the effect of patriotism appeal in consumer behavior, which is not clearly divided into the factors like AIDA. The literatures reviewed also lacked the incorporation and explanation of the dimensions of patriotism appeal. Very less of the researchers are found to have written about the dimensions of the patriotism appeal covering almost every aspect of patriotism. Thus this study has tried to incorporate the relevant and important dimensions of patriotism appeal used in advertisements and its effect on consumer behavior with respect to AIDA model. This research links the findings of varieties of literatures involving the variables in specific. This research can be taken as an exploratory research too, which hopes to motivate other researchers to conduct researches related to the topic to complement this study.

Theoretical framework

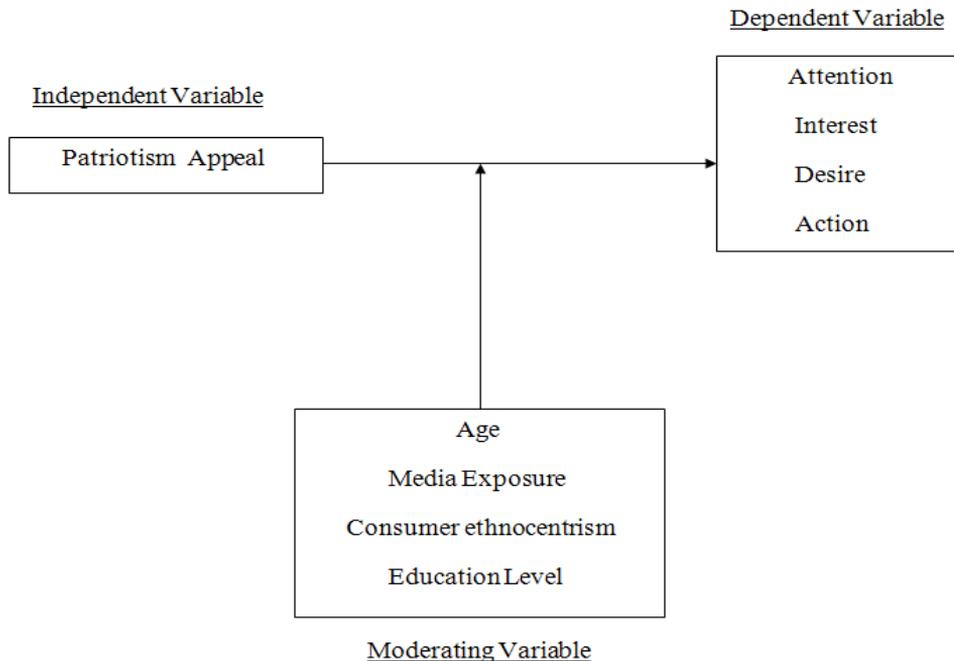


Figure 1. *Theoretical framework*

The theoretical framework of this research was constructed referring various research articles written on effectiveness of emotional appeal in advertisement. There are different emotional appeals that is seen widely used in advertisement like humor appeal, sex appeal and fear appeal. The articles written on these appeals has also been referred and reviewed to construct the above framework. The articles of Kim, Yim and Ko (2013) and Tsai (2010) are the major reference to this framework . Similarly, article by Yoo (2015) builds up the basis for this research. Articles on sex appeal like Vnouckova and Smolova (2013) and Chaun (2012) is referred to understand the various factors that can influence emotional appeal. Since patriotism appeal is also an emotional appeal, some factors that are seen to be common in influencing the other various appeals like age and media exposure has been incorporated in this research framework too.

Research methodology

Research design

The appropriate advertisements was selected and the respondents' feedback was collected based on the structured questionnaire survey. As quantitative research seeks to confirm hypotheses about the phenomenon, hypothetical-deductive model was used to test the general prepositions and the relationship among the variables was measured.

Population and sample

Total population of this study consists of all consumers, of both gender, ages above 15, permanently or temporarily residing in the Kathmandu valley, educated to any level and having involved in any occupation. From the entire population, a sample size of 155 respondent was taken. Since, this research focuses on patriotism appeal, the Nepalese consumers are only taken for collecting response, as the patriotism appeal in the Nepalese advertisement is effective for Nepalese only.

The study has used convenience sampling technique in order to minimize the complexity. This study has tried to maintain a balance in respondents from different consumer groups and avoid any biases.

Data collection procedure

In order to address the research questions, primary data and information was collected through questionnaire. At first, the respondents were presented with the video advertisement and then they were asked to fill up the structured questionnaire on the basis of the advertisements they observed. The response was also collected by showing the printed collage or thumbnail of the video advertisement, in order to make the process of data collection less time consuming. The advertisement collected are very popular in Nepalese channels thus, the collages can help the respondents recall and analyze the advertisements. The question were derived in such a way that can answer the research questions, by consulting the necessary literatures.

Secondary data was used only for literature review and theoretical framework. Secondary data was extracted from different online websites and databases with the related academics and researchers' book, and other marketing, political science, management and business related journals

In order to collect and analyze data regarding the ability of the advertisement with patriotism appeal used in the video advertisements to grab consumers' attention, develop interest, create desire and lead to purchase action, the quantitative research method was used. Quantitative process involves numerical and is statistical in nature. This research method was useful and convenient to collect a large sample size. Moreover, the result can be easily compared as well.

Selection of advertisements

Among different patriotic advertisements, three advertisements that covered dimensions of patriotism appeal were selected which are of Wai Wai, Jagadamba cement and Jagadamba steels. All three advertisements selected were TV advertisements or Video advertisements as this study needed respondents' familiarity with the advertisement and that could be easily

recalled seeing the collage made by capturing different scenes in the advertisements. The collage of the advertisement can be seen in the appendix.

Instrumentation of data

A well structured questionnaire was prepared as the main instrument of the data collection for this study. The questionnaire includes structured questions, with structured answers, in forms of Likert scale questions, single response questions, multiple choice multiple response questions and ranking questions.

Measurement of reliability

The pilot testing of the questionnaire was carried out prior to the final questionnaire distribution. The reliability test by calculating alpha value for Likert scale questions was carried out. After the pilot testing of 25 responses, the questionnaire was finalized with necessary corrections to maintain the Cronbach's alpha. After data collection, Cronbach's alpha was calculated to measure the reliability of this study. Reliability of items are shown in Table 1

Reliability test of likert by Cronbach's Alpha

Table 1

Reliability test of decision statements for AIDA model

Advertisements	Cronbach's alpha	Items
Ad 1	0.758	4
Ad 2	0.745	4
Ad 3	0.803	4

Table 2

Reliability test of decision statements for evaluating advertisements on dimensions of patriotism appeal.

Advertisements	Cronbach's alpha	Items
Ad 1	0.709	4
Ad 2	0.753	4
Ad 3	0.793	4

From Table 3.1 and 3.2 it is clear that, the Likert scale statements based on AIDA model and patriotism dimensions of each advertisements are reliable as the value of alpha is greater than 0.6. This results acceptable consistency of data collected.

Data analysis

Data analysis is categorized into two branches, descriptive and inferential analysis. For descriptive statistical analysis frequency, percentage and mean analysis were used. For inferential analysis, correlation analysis, cross tabulation, chi-square test and regression analysis was carried out using SPSS and Microsoft excel. The conclusion and recommendations are totally based on the findings.

Model for regression analysis

Regression analysis has been used in this research to find out the degree of association of the moderating variables and the AIDA towards the patriotism appeal shown in advertisements. For this, an aggregate mean of the attributes of patriotism is calculated and is taken to represent the patriotism appeal as independent variable.

Model 1

$$Y = \beta_0 + \beta_1 \text{ P.A.} + e^i \dots \dots \dots (i)$$

Model 2

$$Y = \beta_0 + \beta_1 \text{ P.A.} + \beta_2 \text{ Age} + \beta_3 \text{ P.A X Age} + e^i \dots \dots \dots (ii)$$

Model 3

$$Y = \beta_0 + \beta_1 \text{ P.A.} + \beta_2 \text{ C.E.} + \beta_3 \text{ P.A X C.E.} + e^i \dots \dots \dots (iii)$$

Model 4

$$Y = \beta_0 + \beta_1 \text{ P.A.} + \beta_2 \text{ E.L.} + \beta_3 \text{ P.A. X E.L.} + e^i \dots \dots \dots (iv)$$

Model 5

$$Y = \beta_0 + \beta_1 \text{ P.A.} + \beta_2 \text{ M.E.} + \beta_3 \text{ P.A. X M.E.} + e^i \dots \dots \dots (v)$$

Where,

$\beta_0, \beta_1, \beta_2, \beta_3$ = Regression coefficient

Y = AIDA score

P.A. = Patriotism Appeal

C.E. = Consumer Ethnocentrism

E.L. = Education Level

M.E. = Media Exposure

Data analysis and results

Consumers' response towards patriotism appeal.

Number of hours respondents watched Nepali channels

Out of the total number of respondents, most of the people are found to watch Nepali channels less than one hour a day where as very less percent of people are found to watch Nepali channels for more than six hours. Out of total respondents, 39.4 percent are found to watch Nepali channels for one to three hours a day. This data shows that Nepalese are

very less interested to watch Nepali channels, thus they have very low exposure to Nepali advertisement. This might be an intimidating fact for the advertisement industry.

Most popular type of advertisements

According to the respondents, the creative advertisements attract consumers most, followed by informative and patriotic. The percentage of the respondents are 64.51, 63.87 and 60 respectively.

Respondents' awareness of patriotism appeal in Nepalese advertisements.

Out of 155 respondents, 67.10 percent are aware about the examples of patriotism appeal in Nepalese advertisements, where as 32.90 percent of people are unaware about such advertisements. A significant portion of the sample is seen to be unable to recall the patriotic advertisement.

The attributes of patriotism appeal in advertisements

The respondents were asked to choose the attributes, which they referred to as patriotism appeal. Among the respondents majority choose cultural diversity and harmony (87.7%), National sovereignty and unity (85.2%) and prosperous future and development of country (73.5%) as attributes which they referred as patriotism appeal. Similarly, other attributes that were also in the list were freedom and democracy (44.5%), figures, games and activities representing nation (67.1%) and national symbols and associations (56.8%). The mean and rank analysis can be seen in Table 2.

Table 2

Mean analysis of dimensions of patriotism appeal

Factors	Mean	Rank
1. Cultural diversity & harmony	2.08	1
2. Freedom & democracy	3.94	4
3. National sovereignty & Unity	2.06	2
4. Prosperous future & development	3.01	3
5. Figures, games & activities representing nation	4.72	5
6. National symbols, landmarks & monuments	4.93	6

** figures are in percentage.*

Positivity towards patriotic appeal in advertisements

The data collected shows that the majority of respondents (80%) are positive towards the affect of patriotism appeal in advertisements, whereas, comparatively very less percent of respondents (20%) are negative towards the affect of patriotism appeal in advertisements.

Events evoking patriotic feelings in respondents.

Among the various events, the undeclared economic blockade by India of 2015 is found to be an important event that evoked feeling of patriotism in Nepalese people. The data

collected shows that majority of the respondents (75.48 %) feel the economic blockade as an event that made them feel most patriotic. Similarly, the earthquake 2015 also nears majority (68.38 %) of the total respondents, who felt patriotic when they faced this ill fated natural calamity. About 58.70 percent of the total respondents feel Nepalese participation in international events evoke patriotic feeling in them. Similarly, 39.35 percent of the respondents feel patriotic about the mass movements like jana andolan 2062/2063, whereas, 29.03 percent of respondents take festivals like Dashain and Tihar, and national days like Democracy day, Republic day, Constitution day and Martyrs day as the events that make them feel patriotic.

Purchase actions induced by patriotism

According to the results, majority of the respondents (71.93%) have responded as they have made any purchases due to the love of the country and its products, where as minority of the respondents (28.07%) have responded as they have never made any purchases due to the patriotic feeling towards their nation and products made in the country.

Respondents' perception towards patriotic appeal in advertisements

Table 3

Ranking analysis on respondents' perception towards patriotic advertisements

Statements	Mean	Standard deviation	Rank
1.Patriotic ads are attention grabbing	2.19	1.094	3
2.Patriotic ads are emotionally affecting	1.91	0.893	1
3.Patriotic ads are creatively appealing	2.70	0.935	2
4.Patriotic ads increases purchase intentions	3.21	1.063	4

The table 4.2 displays the second statement that presents the perception towards the patriotic advertisements as emotionally appealing has least mean score of rank with value 1.91 which shows that most of the respondents have ranked it as the major statement that describe their perception towards the patriotic advertisements, followed by those who think the patriotic advertisements are creatively appealing and attention grabbing. Similarly, The last statement that presents the perception towards the patriotic advertisements as having ability to increase purchase intentions has highest mean score of rank with value 3.21 which shows that least number of the respondents have ranked it as the major statement that describe their perception towards the patriotic advertisements

Respondents' perception towards buying Nepali product

Majority of the respondents (68.40%) are found to buy a Nepali product whenever possible followed by 13.5 percent of respondents who feel guilty if they don't buy Nepali product when options are available. Similarly, 12.9 percent of respondents always buy Nepali

product, whereas, very less percent of respondents (5.2 %) is seen not interested in buying any Nepali product whenever possible.

Degree of uses of different factors to evaluate dimensions of patriotism appeal among different advertisements

The Table 4.3 covers the preference on dimensions of the patriotism appeal evaluated on four different factors, based on the response of the respondents

Table 4

Degree of uses of different factors to evaluate dimensions of patriotism appeal among different advertisements

Advertisement	Values of	Patriotically appealing through exhibition of			
		Cultural diversity and Harmony	National sovereignty and Unity	Hope for Prosperous future and Development	National symbols and Associations
1	Mean	3.00	2.73	1.99	2.86
	Rank	1	2	3	1
2	Mean	2.89	2.79	2.86	2.68
	Rank	3	1	2	3
3	Mean	2.99	2.76	3.01	2.79
	Rank	2	3	1	2

From the Table 4, it can be concluded that advertisement 1 is perceived to illustrate cultural diversity and harmony as patriotic appeal by the respondents, whereas advertisement 2 illustrate another dimension of patriotic appeal i.e. national sovereignty and unity. Similarly, advertisements 3 and 1 illustrates the other two dimensions, which are hope for prosperous future and development of country and national symbol and associations respectively. The calculations done further uses these values accordingly.

Degree of uses of different factors to evaluate dimensions of AIDA among different advertisements

Table 5, shows the evaluation of AIDA through various factors among different advertisements. Each of the three advertisements were evaluated to know about the perception of the respondents based on attention, interest, desire and action towards the advertisements. The statements that represented AIDA can be seen in the Table 4.4

Table 5

Degree of uses of different factors to evaluate dimensions of AIDA among different advertisements

Advertisement	Values of	AIDA statements			
		I would like to watch it again. (Attention)	I would like to know more about the product. (Interest)	I would look for the availability of the product when required. (Desire)	I would prefer the product (Action)
1	Mean	2.82	2.73	2.63	2.77
	Rank	1	3	3	1
2	Mean	2.70	2.84	2.73	2.52
	Rank	2	2	2	3
3	Mean	2.64	2.88	3.82	2.61
	Rank	3	1	1	2

From table 5, it can be concluded that, the patriotism appeal shown in advertisement 1 is most attention grabbing among respondents, whereas, the patriotism appeal shown in advertisement 3 is most interest generating among respondents. Similarly patriotism appeal shown in advertisement 3 is also seen to be most desire creating for the product among the respondents and advertisement 1 is taken as the advertisement that increases purchase intention more than other advertisements.

Relationship between dimension of patriotism appeal and AIDA

Dimensions of patriotism appeal and attention

Table 6

Correlation between dimensions of patriotism appeal in the advertisement and attention towards it

Dimensions	Correlation	Attention
Cultural diversity & harmony	Pearson's correlation	0.210**
	Sig (2-tailed)	0.009
	N	155
National sovereignty & unity	Pearson's correlation	0.394**
	Sig (2-tailed)	0.000
	N	155
Hope for prosperous future & development in country	Pearson's correlation	0.337**
	Sig (2-tailed)	0.000
	N	155
National symbols and associations	Pearson's correlation	0.258**
	Sig (2-tailed)	0.002
	N	155

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

The table 4.5 shows that, p value for all the dimensions of patriotism appeal is less than alpha i.e. $0.000 < 0.01$ which signifies that the correlation is significant between the overall dimensions of patriotism appeal and consumer's attention towards the advertisement at 1% level of significance. Thus, the hypothesis 1 is accepted. This result can be interpreted as the dimensions of patriotism appeal are instrumental in grabbing attention of the consumers towards the advertisements among the respondents

Dimensions of patriotism appeal and interest.

Table 7

Correlation between dimension of patriotism appeal and interest on the advertisements

Dimensions	Correlation	Interest
Cultural diversity & harmony	Pearson's correlation	0.325**
	Sig (2-tailed)	0.000
	N	155
National sovereignty & unity	Pearson's correlation	0.318**
	Sig (2-tailed)	0.000
	N	155
Prosperous future & development in country	Pearson's correlation	0.150**
	Sig (2-tailed)	0.003
	N	155
National symbols and associations	Pearson's correlation	0.209**
	Sig (2-tailed)	0.000
	N	155

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

The 7 shows that, p value for all the dimensions of patriotism appeal is less than alpha i.e. $0.000 < 0.01$ which signifies that the correlation is significant between the overall dimensions of patriotism appeal and consumer's interest towards the advertisement. Thus, the hypothesis 2 is accepted. This result can be interpreted as the dimensions of patriotism appeal are instrumental in developing interest in consumers towards the advertisements among the respondents

Dimensions of patriotism appeal and desire

Table 8

Correlation between dimension of patriotism appeal and desire towards the advertisements

Dimensions	Correlation	Desire
Cultural diversity & harmony	Pearson's correlation	0.519**
	Sig (2-tailed)	0.000
	N	155
National sovereignty & unity	Pearson's correlation	0.373**
	Sig (2-tailed)	0.000
	N	155
Prosperous future & development in country	Pearson's correlation	0.215**
	Sig (2-tailed)	0.000
	N	155
National symbols and associations	Pearson's correlation	0.196**
	Sig (2-tailed)	0.000
	N	155

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

The table 8 shows that, p value for all the dimensions of patriotism appeal is less than alpha i.e. $0.000 < 0.01$ which signifies that the correlation is significant between the overall dimensions of patriotism appeal and consumer's desire towards the product. Thus, the hypothesis 3 is accepted. This result can be interpreted as the dimensions of patriotism appeal are instrumental in creating desire in consumers towards the product shown in advertisements among the respondents.

Dimensions of patriotism appeal and action.

Table 9

Correlation between dimension of patriotism appeal and action towards the advertisements

Dimensions	Correlation	Action
Cultural diversity & harmony	Pearson's correlation	0.364**
	Sig (2-tailed)	0.000
	N	155
National sovereignty & unity	Pearson's correlation	0.517**
	Sig (2-tailed)	0.003
	N	155
Prosperous future & development in country	Pearson's correlation	0.429**
	Sig (2-tailed)	0.000
	N	155
National symbols and associations	Pearson's correlation	0.175**
	Sig (2-tailed)	0.000
	N	155

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

The table 4.8 shows that, p value for all the dimensions of patriotism appeal is less than alpha i.e. $0.000 < 0.01$ which signifies that the correlation is significant between the overall dimensions of patriotism appeal and consumer's purchase action towards the product. Thus, the hypothesis 4 is accepted. This result can be interpreted as the dimensions of patriotism appeal are instrumental in encouraging purchase action in consumers towards the product shown in advertisements among the respondents.

AIDA towards patriotic advertisements and moderating variables

This analysis has attempted to analyze the association of dependent variables with moderating variables using Chi-Square test. To use the Chi-Square test, the dependent variable was categorized first. The average of AIDA responses of each respondent was calculated and then categories were formed. Mean AIDA score ranging from one to four has been categorized into three group as 1-2 (low score), 2-3 (moderate score) and 3-4 (high score).

4.3.1 AIDA towards patriotic appeal on advertisement and age of audience

Table 10

Chi-square between AIDA and age of audience

	Chi-Square Tests		
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.688	6	.005
Likelihood Ratio	18.351	6	.005
Linear-by-Linear Association	6.683	1	.010
N of Valid Cases	155		

The p-value for the chi-square between AIDA towards patriotic appeal in advertisement and age of audience is found to be 0.005 which is less than level of significance (0.05), thus, we can explain this result as there is significant association between AIDA towards patriotism appeal in advertisement and age of audience.

AIDA towards patriotic appeal on advertisement and consumer ethnocentrism

Table 11

Chi-square between AIDA and consumer ethnocentrism

	Chi-Square Tests		
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.974	6	.043
Likelihood Ratio	12.229	6	.057
Linear-by-Linear Association	1.014	1	.314
N of Valid Cases	155		

The p-value for the chi-square between AIDA towards patriotic appeal in advertisement and consumer ethnocentrism of audience is found to be 0.043 which is less than level of significance (0.05), thus, we can explain this result as there is significant association between AIDA towards patriotism appeal in advertisement and consumer ethnocentrism.

AIDA towards patriotic appeal on advertisement and education level of audience

Table 12

Chi-square between AIDA and education level of audience,

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.939	6	.001
Likelihood Ratio	15.308	6	.018
Linear-by-Linear Association	2.308	1	.129
N of Valid Cases	155		

The p-value for the chi-square between AIDA towards patriotic appeal in advertisement and age of audience is found to be 0.001 which is less than level of significance (0.05), thus, we can explain this result as there is significant association between AIDA towards patriotism appeal in advertisement and education level of audience.

AIDA towards patriotic appeal on advertisement and media exposure

Table 13

Chi-square between AIDA and media exposure.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.512	6	.276
Likelihood Ratio	5.636	6	.465
Linear-by-Linear Association	.459	1	.498
N of Valid Cases	155		

The p-value for the chi-square between AIDA towards patriotic appeal in advertisement and media exposure is found to be 0.276 which is greater than level of significance (0.05), thus, we can explain this result as there is no significant association between AIDA towards patriotism appeal in advertisement and media exposure.

Thus Hypothesis 5,6,7 are accepted but hypothesis 8 is rejected.

Degree of association between moderating variable and AIDA.

Table 14

Regression to show the degree of association between moderating variable, patriotism appeal and AIDA.

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
Patriotism Appeal	0.468** (0.000)	0.440** (0.000)	0.409** (0.000)	0.411** (0.000)	0.421** (0.000)
Age		0.232** (0.000)			
Consumer ethnocentrism			0.185** (0.000)		
Education level				0.236** (0.000)	
Media exposure					0.176** (0.106)
PA * Age		0.307** (0.000)			
PA * Consumer ethnocentrism			0.614** (0.004)		
PA * Education level				0.216** (0.002)	
PA * Media exposure					0.109** (0.270)
R square (Adjusted)	0.648	0.691	0.659	0.689	0.601
F	12.771	16.905	22.641	18.787	15.406
Sig.	(0.000)	(0.000)	(0.004)	(0.002)	(0.276)

** Significant at the 0.01 level (2-tailed)

The Table 14 shows the degree of impact of the moderating variables on AIDA towards patriotism appeal shown in advertisements. From the p-values of the variables, it can be said that, all the moderating variables except media exposure has significant association with AIDA towards the patriotism appeal. The values of standardized beta coefficient of the variables shows that, consumer ethnocentrism with beta value 0.614 has more impact on AIDA followed by age with beta value 0.307 and education level with beta value 0.216.

Discussion, conclusion and implications

Discussion

The finding of this study is consistent with the findings of Yim and kim (2009), which found that consumer patriotism positively influenced attitude towards the patriotic advertisement. The attitude is a general concept, this study has further made this findings specific to attention, interest, desire and purchase action. This study also found that, there exists a significant correlation between patriotism appeal in advertisement and consumers' interest, desire and purchase action towards it. This study supports Barry and Howard (1990), who think that, big titles are seen to grab consumer's attention easily.

According to McGovern(1998), advertising metaphors converts consumption into a ritualistic means of affirming one's national identity. He found that patriotic ad, which communicated pride in America and its values using symbols such as flags or the colors red, white, and blue and words, helped consumers evoke patriotic emotions which, in turn, lead to favorable advertising evaluation. The study used the national symbols and association, as one of the four major dimension of patriotism, thus, the result of this study resembles with that of McGovern too. From this study it is also clear that, the feeling of patriotism and effect of patriotism appeal is similar, regardless of the country and countrymen. This study has used the advertisement of the domestic brands, thus, the findings also match with that of Han (1988) and Shimp & Sharma (1987) which states that, for domestic brand, the usefulness and effectiveness of patriotic advertising has been very instrumental and is suggested by numerous of previous studies.

The study also found the Nepalese participation in international and events as among the three events that evokes patriotism feeling in consumers, which supports the literature by Fisher and Wakefield (1998) and Madrigal (2001), which puts forward the view that, patriotism is seen developed in individuals, as they demonstrate it by expressing their interest and involvement in sports event. Yu and Jung (2004) has admitted that, through whatever means, marketers have often utilized patriotic ads to maximize the effectiveness of promotional messages that particularly appeal to consumers' patriotic emotions. This literature shows the relevance of this study, further this study also supports it by elaborating different part of emotion like attention, interest, desire and action and effect of patriotism appeal on these emotions. Forehand and Despande (2001) found that ethnic consumers tended to give more favorable evaluations to targeted ads when their ethnic identity was activated by ethnic primes embedded in advertising messages, This is also seen in this study as the dimension of the patriotism used in this study also involves cultural diversity and harmony to address the diverse ethnicity present in Nepal. Similarly, In another study, salience of national identity was found to affect consumer response to ad message that featured national symbols. This study supports its findings as, this study encompasses

national symbol and association as one of the dimensions of patriotism appeal that affect the consumer behavior.

This study has found that the age group 26-34 seems to be more positive about the ability of the patriotism appeal in advertisement to grab attention, develop interest, create desire and motivate purchase action. This puts forward the approach that presents the most patriotic age group as somewhat mature as, Omelchenko et al. (2015) has found that, the youth population are more fascinated in public manifestation of patriotism, and thus their feeling towards patriotic advertisement is stronger. Similarly, another literature by Smith and Kim (2006) has found that, feeling of patriotism is seen increasing impressively with age, and so is the impact of patriotism appeal on consumers, but this study has a different opinion about the age cohort and its affect on the influence made by patriotism appeal shown in advertisements. However, it supports the literatures mentioned above that advocates about age having a significant association between patriotism appeal in advertisement and its influence in consumer behavior.

The finding of this study also encompasses the significant association between consumer ethnocentrism and consumer behavior. This findings complements the finding of Klein (2002) which says that from ethnocentric perception, purchasing foreign product is viewed as detrimental to the economic health of the consumer's home country and thus are undesirable. This study also supports Smith and Kim (2009) as it talks about significant association between patriotism appeal and consumer behavior, but the result is just the opposite. This study found the highly educated people (Masters & above) to be influenced more by patriotism appeal in advertisements.

This study has contradicted with the researches of Burton and Lichenstein (1988), Coutler (1988), Cavalho (2005) that argues about media exposure having a significant association on effect of patriotism appeal in consumer behavior as the result of this research doesn't shows any significant association.

Conclusion

In conclusion, this study incorporates many important findings that could help the interested people to know about the general perspective of patriotism in public and the affect of patriotism appeal in consumer behavior. This study has explained the affect of patriotism appeal in more details by using AIDA model. According to the findings of this research, patriotic advertisement is among the popular advertisements in Nepal.

Majority of people are found to be aware about this type of advertisement, and majority of them think that use of patriotism appeal in advertisement has a positive effect on consumers. The study has also pointed out situations, events and accidents like undeclared economic blockades by India, earthquake 2015 and Nepalese participation in national / international

events as one which evoked the feeling of patriotism in consumers. Similarly, this study also found that, patriotic advertisements are popular because it is emotionally affecting. Through this study, it is also clear that, Nepalese have a significant feeling of patriotism directed by consumer ethnocentrism thus, majority of them prefer to buy Nepali product whenever possible.

Cultural diversity and harmony, national sovereignty and unity and hope for prosperous future and development of the country are found to be the general attributes that is taken by the consumers as patriotism appeal in advertisements. The patriotism appeal in advertisement is found to grab attention, develop interest, create desire and encourage purchase action in consumers. Similarly, the factors like age, consumer ethnocentrism and education level are found to have a significant association with the affect of patriotism appeal in consumer behavior. The majority of hypothesis which were set before the study, on the basis of literatures have been proved true as, only one hypothesis among eight, was rejected. The media exposure is found to have no association with the effect of patriotism appeal in advertising and its effect on consumer behavior. The construction materials have used the nation building approach in Nepalese advertisements, whereas, the popular brand Wai Wai has used national unity to reposition itself, this shows the different usage of patriotism appeal and it's attributes in advertisements.

At last, it can be said that, the patriotic advertisement has significant impact on consumer behavior. The patriotic advertisements are able to evoke the feeling of patriotism in consumers. The creativity and concept of the advertisement, the quality and popularity of the product also plays an important role in increasing effectiveness of the advertisements. Thus, the use of patriotism appeal in advertisement needs to balance all these aspects. The factors that exhibits patriotism appeal are very sensitive, as they are directly related with country's identity and image, thus its use in advertisement becomes risky. Therefore advertisers must use it very carefully.

Implications

In country like Nepal which is geographically located in between two giant and powerful countries, the feeling of insecurity in the citizens towards its geographical borders is natural. This feeling of insecurity evokes feeling of patriotism in Nepalese Nepal, even being a small nation, incorporates many natural and cultural heritages that makes the Nepalese proud of its nation. The ethnicity, cultural and religious harmony of Nepal is world famous. The unity of Nepalese has made different socio-political changes in the country possible. Thus, an advertiser needs to link all of these factors to construct an effective advertisement with patriotism appeal.

The advertisements selected for this study address this requirement in greater extent. Thus the high involvement products like cement and steel have popularity in general public due

to the patriotic advertisement showing these products. Wai Wai, instant noodles has a long history and is almost the most popular noodles in Nepal. The patriotic advertisement it used, is seen to increase its popularity more and has associated itself with the nation. Therefore, it is suggested that, patriotism appeal in advertisement effective in increasing awareness of the product in general public and make it popular. Similarly, for a product that is previously popular among people, patriotism appeal in advertisement helps to uplifts the value of the product and helps it create a positive perspective about the product in consumers.

The study results give instrumental points for further discussions and research. It would help the marketers to plan the overall marketing strategy by choosing the right target customers.

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Appendix

Advertisements

Advertise 1 Wai Wai Noodles



Hamro man ma Wai Wai!! the taste that unites Nepal.

Advertise 2 Jagadamba Cement



Aaun sabai mili desh banaun!!

Advertise 3 Jagadamba Steels



Kei garchhaun!

Financial Literacy of MBA Finance Students among the Universities of Nepal

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Abstract

This paper explores the financial literacy of MBA Finance students among the universities of Nepal in terms of financial knowledge, financial ability, and financial awareness. It aims to analyze the influence of financial knowledge on financial ability and financial awareness among the students. The entire information is collected using a structured questionnaire from one hundred and sixty respondents among the students of Tribhuvan University, Pokhara University, and Kathmandu University. The questions are set meeting the standard and level of MBA students so they are more comfortable in answering the questions correctly. The result of the inferential analysis reveals that financial knowledge of MBA Finance students among the three major universities of Nepal has a significant relationship with financial ability and financial awareness. The financial knowledge section during the course study in MBA classes is a strong guiding factor for the ability of the student to use the knowledge related to finance in professional life and awareness to take the sound financial decision analyzing the impact of each financial terms. The financial literacy of students varies according to the institution so the study focus on further improvement and amendments in the course module required from the concerned authorities and initiation from the government level to teach the real-life applicability of those theories and knowledge learned to help the students to know its essence in financial related matters.

Keywords: financial literacy, financial knowledge, financial ability, financial awareness, primary data, descriptive analysis.

Introduction

Before you can become a millionaire, you must learn to think like one. You must learn how to motivate yourself to counter fear with courage. Making critical decisions about your career, business, investments and other resources conjure up fear, fear that part of the process of becoming a financial success (Stanley & Danko, 1996). It suggests the importance of financial actions in the life of people. People are bound by the needs of money for plans for their retirement, borrow money for different needs (education, holiday, home loan, buy things), insurance their lives and several others. It entails the minimum level of financial knowledge and abilities in order to make a good financial decision. That financial decision will act as a critical success factor for upturn or downturn of the country's economy as a whole.

Lusardi, Mitchell, and Curto (2010) examined that young people often carry a large amount of student loan or credit card debt, and such early entanglements can hinder their ability to accumulate wealth. To aid younger consumers, it is critical for researchers to explore how financially knowledgeable young adults are. Grifoni and Messy (2012) reported that financial literacy has been globally acknowledged as a key life skill and as an important element of economic and financial stability and development. Oanaea and Dornean (2012) focused on the minimum level of financial knowledge and abilities for each person to make good financial decisions which are vital to the future health of the nation's economy. The Organization for Economic Co-operation and Development (2013) conceptualizes financial literacy as the combination of knowledge, skills, attitude, behavior, and awareness necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.

Financial literacy is even more important for the students who are pursuing their career in finance. They are qualified and responsible candidates whose knowledge about the finance is very important during tough financial times, by promoting strategies that mitigate risk such as accumulated savings, diversifying assets, and purchasing insurance. The understandings of financial literacy can be interlinked with the knowledge related to investment in the stock market, trading in derivatives, present and future values which helps the students to take correct decision while dealing with financial terms. Being the student of finance, the art of financing money is the crucial factor that one should learn in practical life. College students are more likely experiencing challenges with finances regarding saving monthly expenses, managing debt, paying rent and bills and managing educational fair as they have limited earnings.

In the Nepalese context, various programs were held by the government, non-government organizations (NGOs) and the private sector. Thapa and Nepal (2015) have emphasized on the financial awareness programs stating "because of low financial literacy, financial services are not effective so appropriate strategy should be developed". Since 2012, NRB also launched a program 'NRB with students' for enhancing the financial literacy among students.

Thapa and Nepal (2015) stated that Nepalese college students have a basic level of financial knowledge but they lack an understanding of credit, taxes, share market, financial statement, and insurance. It entails that there are very few studies being conducted on financial literacy and the results are not satisfactory. Therefore this paper aims at identifying the financial literacy level of one of the most trusted youths of Nepal i.e. the MBA students who have specialized in Finance.

Thus, the motivation of this research is to explore the influence of financial knowledge of MBA Finance students over financial ability and financial awareness. A very few research

has been done in finding the knowledge level of MBA students who are majoring in finance. It is true that those students will definitely have the financial knowledge but what about measuring it in reality. As per India today website, MBA graduates are spending lakhs of rupees on their management education, but after graduating, most of them are earning a measly 12,000 to 18,000 rupees per month when they find placement. Most of the higher education institutions put little emphasis on students' personal finance education (Bhattacharya & Chaturvedi, 2013). In the Nepalese context too, MBA finance students earn degrees yet suffer basic problems related to financial management procedures. Students after graduating when placed in financial institutions suffer from major financial difficulties in understanding the practical implementation of the knowledge they learn from universities.

The remaining sections of the paper are organized with the second section containing literature review shedding light on the research gaps. The third section presents the research methodologies. It highlights research design, sampling, nature, and source of data, validity and reliability, a test of data. Section four supports the research with its results and discussion. This provides concrete facts and figures and helps the core objective of the research. Section five provides the summary and conclusion.

Review of literature

Agarwalla et al., (2015) have examined the influence of the socio-demographic attributes on the three dimensions of financial literacy – financial knowledge, financial behavior, and financial attitude which concluded that working youth in urban India exhibit inferior financial knowledge, inferior financial attitude, and superior financial behavior compared to their counterparts elsewhere. Potrich et al., (2015) have conducted the study to find out the relationship between financial literacy with demographic variables among the ordinary individuals of Brazil. The study suggested the need for the creation and adoption of an educational program that promotes personal financial literacy in all sectors of society.

Gupta and Kaur (2014) have measured the level of awareness of financial literacy among the micro-entrepreneurs of the district of Kangra of Himachal Pradesh. It confirmed that they possessed low financial skills due to deficient record-keeping practices, poor cash management, improper saving habits and less awareness regarding different financial products and instruments. It also suggested that micro-entrepreneurs are lagging behind in the adoption of formal financial practices and financial literacy programs need to be organized in every sector of the society. Boyland and Warren (2013) have examined the financial literacy of undergraduate students in the United States which recommended that the college and university tailor their financial literacy education program based on the cultural and ethnic differences among its student's body.

Ramasawmy et al., (2013) have examined the level of awareness of financial literacy among management students at the University of Mauritius which suggested the need to include financial literacy courses in all curriculums including management and non-management backgrounds. Oanea and Dornean (2012) have conducted a study which focuses on MBA Finance students of Romania measuring student's minimal knowledge about financial terms like money, inflation, interest rate, credit and other abilities and awareness of the students which concluded medium to high level of financial literacy among the students of Romania. It also suggested a warning for all the academic centers to take into account a more appropriate financial curriculum from which students shall be able to learn advanced financial issues helping them to gain financial knowledge and abilities.

Murphy and Yetmar (2010) have examined a survey about the personal financial planning attitudes of MBA students of USA. The study concluded that most of the respondents feel financial planning is important and they are interested in developing a financial plan, a very few feel that they have the necessary skills and knowledge to prepare their own plan. The respondents also feel the strong necessity for professional personal financial planning.

Jorgenson (2007) has examined the personal financial literacy of a sample of undergraduate and graduate college students. The results signified that financial knowledge, attitude and behavior scores are low but significantly increases from fresher to masters. It also concluded that financial knowledge is the main factor to have higher financial attitude and behavior among the students. Delpachitra (2003) has conducted research among the students of University of Southern Queensland among the students of business faculty and other faculties which explored the result that financial literacy is not high due to the lack of financial skills and education in high schools. The study suggested that the students in Australia are not skilled, nor knowledgeable in financial matters.

The previous research conducted as per the above literature review identifies that there is very few research done on measuring the financial literacy of MBA Finance students and among those studies the results are not satisfactory which emphasizes on the course curriculum structure and need for the applicability of financial knowledge the students learn in their professional life. Apart from those students, in case of other faculties i.e. whether from the business background or non-business background, financial literacy is a major concern among them. Most of the study focuses on the need for implementing financial literacy programs in each stream of students so that they are able to take the sound financial decisions in their future endeavors.

It is true that being a financial graduate have a job scope in the competitive market and the researcher himself has pursued a career in finance, the bitter reality is that they are less aware of the financial decision-making capabilities among themselves. They are still reluctant with investment decisions, loan management decisions, risk-taking propensities, profit and loss

statement, balance sheet and cash flows and maximum ideas related to personal finance. When the question is raised, “Do they have appropriate financial knowledge which would be effective to apply it in the workplace they choose?” It remains very difficult to answer this question for the majority of the specializing students in finance. Thus, in such a case, the researcher is trying to explore the ideas and knowledge of financial literacy among the MBA students in managing the finance in their working environment. The individual can work effectively for others when they themselves are skilled and confident in understanding the basic theories and its practical applicability in real time situation.

So the researcher in this study has considered three measuring criteria of financial literacy i.e. financial knowledge, financial ability, and financial awareness. The study is focused on the MBA finance students, the knowledge sections questions are set which meets the understanding of finance subject being taught on the respective classes so basically these students are comfortable in answering the questions. The ability section tests the skills and confidence of the student to use the financial knowledge once they are equipped with the knowledge of finance in their courses. Finally, the financial awareness section tests the decision-making capabilities of students once they are financially knowledgeable and possesses the ability to use that knowledge in professional life. The designed hypothesis also measures the relationship between financial knowledge with that of financial ability and financial awareness.

Apart from that, in order to measure the financial literacy, the respondents are taken which are affiliated to TU, PU, and KU and sample size is limited to 160 respondents where maximum students are from PU since they have the more affiliated colleges and larger intake during the whole year. This research fulfills the gap focusing on the specific group of students who are master of finance, measuring their understanding level of finance and definitely are the future leaders and managers in the financial institutions and market of the respective country.

Methodology

Conceptual model

The conceptual framework is developed with reference to the paper “Defining and measuring financial literacy: New evidence from Romanian’ students of the Master of Finance” (2012) by Dumitru – Cristian Oanea and Adina Dornean. The survey was conducted among the students of Master of Finance at several faculties of Economics and Business Administration from Romania to understand the meaning of “Financial” and “Literacy”. The study measures a person’s minimal knowledge of financial terms like money, inflation, interest rates, credit. Apart from that this key paper thoroughly analyzes various definitions of financial literacy as per different dictionaries and replicated the financial literacy in terms of financial knowledge, financial abilities, and financial awareness.

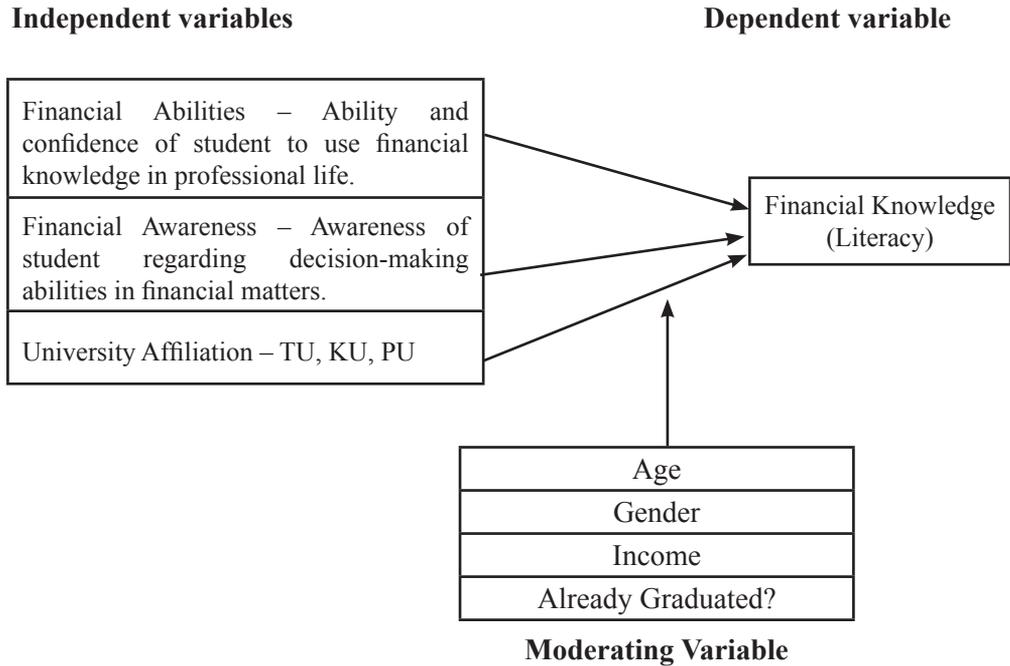


Figure 1. *Conceptual Framework*

Data collection

Data are collected from the primary source. For the collection of primary data, a structured questionnaire is designed and distributed among MBA Finance students at several affiliated universities. A sample size of 160 respondents is taken including 38 respondents from Tribhuvan University and Kathmandu University and 84 respondents from Pokhara University respectively.

In relation to the questionnaire, altogether, 34 questions are prepared, including five from demographic characteristics, 10 from financial knowledge and ability section each and 9 from financial awareness part. The demographic part constitutes age, gender, income, university affiliation and whether the students are already graduated or not. The financial knowledge section consists of the general level questions applicable to meeting the standards to MBA Finance students. It contains questions related to Business and Financial environment, Basel framework, Risk and Return (2 questions), Ratio Analysis, Short-term Financing, Cash Flow Analysis, Working Capital Management, knowledge about Balance Sheet and Dividend Policy.

The financial ability section constitutes 10 Likert Scale questions. Finally, the financial awareness section includes 9 Likert scale question. Those questions related to financial ability and awareness tests the individual skills and use of financial knowledge and decision-

making capabilities in real life. Finally, MS-Excel is used to arrange the data and SPSS software is used for the analysis part.

Results and discussion

General profile of the respondents

The brief description of the sample size used in this survey has already been discussed in research design and methodology. However, the descriptive analysis of the total respondent taken under study is described in this section. Respondents are categorized according to their gender, age, monthly income and graduated or not.

Table 1

Demographics of Respondents (Gender)

Respondents Profile (n = 160)		Frequency	Percent
Male	Male	99	61.9
Female	Female	61	38.1
Age	24-27	99	61.9
	28-30	55	34.4
	30 and above	6	3.8
	Below 15000	32	20.0
Monthly Income	15000-30000	19	30.6
	30000-45000	52	32.5
	Above 45000	27	16.9
Graduated?	Yes	46	28.8
	No	114	71.3

The table 1 shows that out of total respondents, 61.9% are male whereas 38.1% are female respondents. The maximum number of respondents fall into the age group 24-27 (61.9%), 34.4% of respondents are of the age group 28-30 and 3.8% belong to the age group 30 and above. The analysis of study related to the monthly income of the students depicted that 32.5% of the respondents have the monthly income of 30000-45000, 30.6% of the respondents have the monthly income of 15000-30000, 16.9% of respondents have a monthly income of above 45000 and finally, 20% have a monthly income of below 15000. Similarly, of the total respondents, 114 students are not graduated whereas 46 students are graduated and finished their respective MBA courses.

Relationship with financial knowledge

Table 4.2

One way ANOVA for financial knowledge with age

Age	N	Mean	Std. Deviation	F	Sig
24-27	99	2.8162	.30895	.296	.744
28-30	55	2.7745	.49823		
30 and above	6	2.8667	.05164		
Total	160	2.8038	.37916		

Table 2 shows the relationship between financial knowledge with that of the age of MBA Finance students. The p-value shows 0.744 which is greater than α value of 0.05. It implies there is no significant relationship between financial knowledge with that of age. The table shows that the mean of the age group 30 and above is higher than the other age group so this category of students have more financial knowledge than others.

Table 3

One way ANOVA for financial knowledge with income level

Income	N	Mean	Std. Deviation	F	Sig
Below 15000	32	2.8188	.28334	5.231	0.02
15000-30000	49	2.7755	.36259		
30000-45000	52	2.9308	.26162		
Above 45000	27	2.5926	.57105		
Total	160	2.8037	.37916		

Table 3 shows the relationship between financial knowledge with that of income level. The p-value is 0.02 which is less than α (0.05) which indicates that there is a significant relationship between financial knowledge with that of income level.

Table 4

t-test for financial knowledge with gender

Gender	N	Mean	Std. Deviation	t	Sig.
Male	99	2.7677	.43114	-1.712	0.089
Female	61	2.8623	.26781		

Table 4 shows t-value for gender is -1.712 with a p-value of 0.089 which is greater than α (0.05) which indicates there is no significant relationship between financial knowledge

with that of gender. Gender does not make differences in financial knowledge of the MBA students.

Table 5
t-test for financial knowledge with already graduated or not

Already graduated?	N	Mean	Std. Deviation	t	Sig.
Yes	46	2.9826	.17926	5.351	.000
No	114	2.7316	.41377		

In table 5, the t-value for students who are graduated or not is 5.351 with p-value 0.000 which is less than α (0.05) indicating there is a significant relationship between financial knowledge with that of MBA students who are already graduated or in the phase of graduating.

Relationship of financial knowledge with financial ability, financial awareness, and university affiliation

Table 6
Pearson’s bivariate correlations between financial knowledge and financial ability

		Ability
Knowledge	Pearson Correlation	.338**
	Sig. (2-tailed)	.000
	N	160

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

Table 6 shows the p-value 0.00 which is less than α (0.05). It means we reject HO. The analysis shows that there is a significant relationship between financial knowledge and financial ability.

Table 4.7
Pearson’s bivariate correlations between financial knowledge and financial awareness

		Awareness
Knowledge	Pearson Correlation	.222**
	Sig. (2-tailed)	.005
	N	160

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

Table 7 shows the p-value 0.05 which is equal to α (0.05). It means we reject HO. The analysis shows that there is a significant relationship between financial knowledge and financial awareness.

Table 4.8

One way ANOVA between financial knowledge and university affiliation

University	N	Mean	Std. Deviation	F	Sig.
TU	38	2.9237	.23300	9.976	.000
PU	84	2.6833	.44905		
KU	38	2.9500	.20368		
Total	160	2.8038	.37916		

Table 8 shows the F value of 9.976 with a p-value of 0.00 which is less than α (0.05). In this case, we reject H0. It implies that there is a significant relationship between financial knowledge with that of university affiliation.

Table 9

Summary and the test hypothesis

Hypothesis	Testing Method	Result
Hypothesis HO1: There is no significant relationship between financial knowledge with the financial ability	Pearson's bivariate correlations	Rejected
Hypothesis HO2: There is no significant relationship between financial knowledge with financial awareness.	Pearson's bivariate correlations	Rejected
Hypothesis HO3: There is no significant relationship between financial knowledge with university affiliation	one way ANOVA	Rejected

Table 9 shows the test of the hypothesis. The first case explains the rejection of the null hypothesis since the p-value is 0.00 less than α (0.05) so the alternative hypothesis is being accepted showing the significant relationship between financial knowledge with financial ability. The method used is Pearson's bivariate analysis. Similarly, the second case also explains the rejection of null hypothesis since p-value is 0.05 which is equal to α (0.05) which is equal to α value so the alternative hypothesis is being accepted also showing the significant relationship between financial knowledge with awareness. The method used is also Pearson's bivariate analysis. Finally, the third case also explains the rejection of the null hypothesis since the p-value is 0.00 which is less than α (0.05). In this final case, the alternative hypothesis is being accepted. It also shows that there is a significant relationship between financial knowledge with a university affiliation. The method used for this process is one way ANOVA.

Concluding remarks

This study investigated and concluded the level of financial literacy among university students and the relationship between financial knowledge with financial ability and

financial awareness. The answers to these relatable questions have been clearly mentioned in the data analysis part.

One of the objectives of this study was to analyze and compare the financial literacy (knowledge) of different university affiliated colleges. The result from the quantitative session stated that the financial knowledge of the students varies in relation to the university affiliation. The teaching and guiding methodology might be different resulting in different scores for the set variables.

The other objective regarding this study was to explore the relationship between financial knowledge with financial ability and financial awareness. For this, the result from the quantitative data analysis concluded that there is a positive relationship between financial knowledge with financial ability i.e. the financial ability increases with an increase in financial knowledge and vice versa. With greater financial knowledge, the students are more able to make the financial decision in their professional life. Similarly, there is also a positive relationship between financial knowledge with financial awareness i.e. the financial awareness increases with an increase in financial knowledge and vice versa. With greater financial knowledge, the students are more aware to take the financial decision which is beneficial in their professional life.

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Behavioural Determinants in Entrepreneurial Intention of MBA students in Nepal

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Abstract

This paper aims at illuminating the determinants of entrepreneurial intention in the context of MBA students of Nepal by employing the theory of planned behaviour. In this regard, the relationship of entrepreneurial intention with gender, prior self-employment experience and family background in entrepreneurship were also considered. Using a sample of 385 MBA students, the intentions to become an entrepreneur were found to be stronger among males, individuals who had a prior experience from being self-employed and individuals with a family background in entrepreneurship. However, behavioural determinants like attitude towards behaviour, subjective norms and perceived behavioural control explained significant additional variance in entrepreneurial intentions than those accounted by the demographic variables. The findings of the study prove instrumental in providing important revelations about the entrepreneurial intention of MBA students.

Keywords: entrepreneurial intention, the theory of planned behaviour, MBA students.

Introduction

Entrepreneurship as a field of study is promising in the sense that it comprises of an assortment of varied researches. Entrepreneurs are passion-driven individuals who not only discover opportunities but also evaluate and exploit such opportunities (Shane & Venkataraman, 2000). An entrepreneur plays an active and central role in venture creation. Necessary attention to related behavioural aspects of an entrepreneur can provide wonderful insights into the discipline of entrepreneurship (Baron, 2007). Intentions are the sole interpreters of a planned behaviour. Intentions signify the amount of hard work and effort people are keen to exert (Ajzen, 1991; Krueger & Brazeal, 1994; Krueger, Reilly & Carsrud, 2000). The intention and drive to chase one's passion is what leads an individual to undertake entrepreneurship. Hence, the founders' intentions play an instrumental role in defining and directing an organisation.

The theory of planned behaviour is centred on an individual's intention towards performing a given behaviour. There are three factors of intention as claimed by the theory of planned behaviour. The first one is attitude towards the behaviour. The extent to which an individual

has a favourable or unfavourable personal evaluation about being an entrepreneur is explained by the attitude towards the behaviour or personal attitude. The role of attitudes is imperative towards predicting and explaining human behaviour. The second antecedent of intention, subjective norms, refers to the perceived social pressure from near and dear ones like family, friends or significant others and whether they would, or would not, endorse an individual's decision to undertake entrepreneurship. The third is perceived behavioural control which explains the perceived ease or difficulty of being an entrepreneur (Ajzen, 1991). Kolvareid and Isaksen (2006) stated that intention is a direct predecessor of real behaviour which means stronger the intention, the higher the chances of implementation of it into actual behaviour. In this sense, the application of the theory of planned behaviour for understanding entrepreneurial intentions is considered to be very important. Furthermore, with an understanding of university students' entrepreneurial intentions, their likelihood to engage in entrepreneurship can be prefigured.

In the context of Nepal, studies are rarely found regarding the factors influencing an individual's intention towards being an entrepreneur. This study attempts to fill this gap using Nepalese data, more specifically by focusing on the MBA students by employing Ajzen's theory of planned behaviour. The results of the study may help to make important revelations regarding the entrepreneurial intentions of the MBA students. Thus, the general objective of this study is to assess the determinants of entrepreneurial intention in the context of MBA students of Nepal by employing the theory of planned behaviour. However, the specific objectives are as follows:

- To examine the level of entrepreneurial intention among MBA students
- To investigate the relationship of gender, prior self-employment experience and family background in entrepreneurship with entrepreneurial intention
- To investigate the relationship of attitude towards behaviour, subjective norms and perceived behavioural control with entrepreneurial intention

Literature review

Gartner (1985) expressed that the formation of an organisation is an evolutionary process and it simply cannot occur straight away. It is an amalgamation of conceptualisation and execution of ideas into reality. The intention-based models of entrepreneurship stress on the fact that the process of venture creation can be better predicted by understanding intentions. Such models assert that the process of venture creation is headed by the intentions to build such a venture. Shook, Priem and McGee (2003) asserted that there are three prominent models of entrepreneurial intention, namely, Bird's (1988) model of implementing the entrepreneurial ideas, Shapero's (1982) entrepreneurial event model and Ajzen's theory of planned behaviour. The theory of planned behaviour has garnered much validation from

different scholars who have applied the model to explain entrepreneurial intentions among individuals.

Crant (1996) claimed that males were more likely to have entrepreneurial intent than females. Zhao, Seibert and Hills (2005) reported that women had lower entrepreneurial intention than males among 265 MBA students. Matthews and Moser (1995) claimed that there existed a statistically significant relationship between self-employment experience and interest in owning a small firm. Wang and Wong (2004) revealed that family business experience significantly explained entrepreneurial intention of students based in Singapore. Likewise, a study conducted among 461 alumni from eight German universities asserted that the presence of parental role model increased the likelihood that the students become inclined towards self-employment (Chlosta, Patzelt, Klein & Dormann, 2012). Thus, it is hypothesised that:

- H1a: Intentions to become an entrepreneur are stronger among males.
- H1b: Intentions to become an entrepreneur are stronger among individuals who have previous experience from being self-employed.
- H1c: Intentions to become an entrepreneur are stronger among individuals who report that at least one of their parents is an entrepreneur.

Numerous studies have employed the theory of planned behaviour as a theoretical base or framework to comprehend entrepreneurial intentions among individuals as it is one of the robust theories applied to anticipate behaviour. Using a sample of 143 Norwegian business students, Kolvereid (1996) demonstrated that perceived behavioural control, subjective norms and attitude towards the behaviour all emerged as more significant influences on self-employment intentions than did self-employment experience, gender or family background. This contradicted the earlier findings which primarily focused on trait theory of entrepreneurship. Thus, it is hypothesised that:

- H2: The more favourable the attitude and subjective norms with respect to being an entrepreneur, and the greater the perceived behavioural control, the stronger the individual's intention to become an entrepreneur.

Furthermore, in a study conducted to identify the factors that determine entrepreneurial intentions among 512 university students in St. Petersburg, it was asserted that not tracking models or demographics but the theory of planned behaviour determined entrepreneurial intentions (Tkachev & Kolvereid, 1999). In order to predict intentions, demographic variables formed the basis in earlier studies. However, these studies have demonstrated that the theories of planned behaviour and attitude approaches are strong predictors to determine entrepreneurial intentions. Kolvereid (1996) and Krueger et al. (2000) reported that the theory of planned behaviour significantly explained the variance in entrepreneurial

intentions regardless of the presence of trait-based factors such as family background and gender in addition to self-employment experience. Thus, it is hypothesised that:

- H3: The theory of planned behaviour explains additional variance in entrepreneurial intentions beyond that accounted for by the demographic variables.

In a study carried out amongst 180 Chinese students to determine the factors influencing entrepreneurial intention, it was reported that the Chinese students' entrepreneurial intention was explained by their attitude towards entrepreneurship as well as their perceived behavioural control. However, subjective norms failed to predict entrepreneurial intention among the Chinese students (Wu & Wu, 2008).

Linan and Chen (2009) addressed some unexplored issues related to entrepreneurial intentions. Their study tried to test the applicability of the entrepreneurial intentions model in two different cultural environments namely, Spain and Taiwan by considering 519 individual samples. The study was remarkable in the sense that it developed an Entrepreneurial Intention Questionnaire (EIQ) to measure the relevant cognitive constructs and further provided support to the theory of planned behaviour.

Gafar, Yusoff, Karim and Martin (2015) employed the theory of planned behaviour in their study to examine entrepreneurial intention among 408 real estate management students in Malaysia. The findings asserted that attitude to business reality and perceived value creation played a significant role in explaining real estate management students' self-employment intention. Thus, it can be argued that the students take decisions to be self-employed on the basis of behavioural factors such as attitude towards behaviour and perceived behavioural control.

Lin, Pena and Chen (2017), in their study on perceptual factors affecting entrepreneurial intentions among the individuals of El Salvador, claimed that lifestyle and entrepreneurial aptitudes were positively related to the intention of starting a new business, perceived opportunities and perceived capabilities while negatively related to the fear of failure. Perceived opportunities and perceived capabilities were related to the intentions of starting a new business in El Salvador. Thus, factors such as the lifestyle of individuals in El Salvador, the aptitudes possessed by them, as well as the opportunities and capabilities perceived by them were found to be influential in articulating their entrepreneurial intentions.

Research methods

The study is quantitative in nature. Purposive sampling was used to determine the sample. The location of the sample selected was Kathmandu. In order to incorporate a representative sample, 385 students who were pursuing their MBA in six different colleges affiliated to various universities were surveyed. The questionnaire employed in this study was developed by Linan and Chen (2009) as 'Entrepreneurial Intention Questionnaire'. The questionnaire has been adopted by various research scholars. The questionnaire is self-administered as well as close-ended or structured in nature.

Descriptive as well as inferential analyses were carried out to meet the objectives of the study. Frequencies, percentage analysis, mean, dispersion, t-test, correlation and regression analyses were conducted to meet the objectives of the study. The reliability of item scales was tested by computation of Cronbach's alpha. Generally, a coefficient of at least 0.70 is considered acceptable in the case of construct reliability (Nunnally, 1978). The Cronbach's alpha for entrepreneurial intention, personal attitude, subjective norms and perceived behavioural control were 0.952, 0.912, 0.787 and 0.886 respectively which indicated an acceptable degree of reliability. The questionnaire was pre-tested by taking the response from 30 research participants. After ensuring that the reliabilities obtained were correct, the questionnaires were distributed accordingly.

Entrepreneurial intention, attitude towards behaviour, subjective norms and perceived behavioural control were measured on a 7-point Likert scale that ranged from 1= Total Disagreement to 7= Total Agreement adapted from Linan and Chen's (2009) Entrepreneurial Intention Questionnaire. For gender, females were coded '0' and males were coded '1'. Prior self-employment experience was measured by asking respondents a question about whether they had previous experience of owning their own business. Respondents lacking prior self-employment experience were coded '0' whereas those having prior self-employment experience were coded '1'. Family background was measured by asking respondents if any one or both of their parents owned their own business while they were growing up. Respondents without such family background were coded '0' whereas those with family background were coded '1'.

Results

Demographic profile of respondents

Out of the total 385 respondents, 55.6 percent were female and 44.4 percent were male. The majority (76.6 percent) respondents stated that they lacked prior self-employment experience while the remaining 23.4 percent claimed that they had prior self-employment experience. 53.2 percent of the total respondents reported that they did not have a family background in entrepreneurship while 46.8 percent claimed that they had a family background in entrepreneurship.

Summary statistics of different scales

Table 1

Summary statistics of different scales

	Mean	S.D.
Entrepreneurial Intention	4.68	1.86
Attitude towards Behaviour	5.01	1.74
Subjective Norms	4.96	1.81
Perceived Behavioural Control	4.21	1.62

Table 1 illustrates the descriptive statistics of item scales. It examines the level of entrepreneurial intention, attitude towards behaviour, subjective norms and perceived behavioural control amongst the MBA students. It incorporates different statements measured on a 7-point Likert scale based on Entrepreneurial Intention Questionnaire developed by Linan and Chen (2009). The values range from 1 (total disagreement) to 7 (total agreement).

According to the data, the overall mean value of entrepreneurial intention is 4.68 with an overall standard deviation of 1.86. This illuminates the inclination of MBA students towards entrepreneurship through their intention. It affirms that there exists certain intent among the MBA students to undertake entrepreneurship as a career choice. The overall mean value of personal attitude is 5.01 which is close to total agreement with the statements with an overall standard deviation of 1.74. This highlights favourable personal evaluation by MBA students about being an entrepreneur. A positive attitude is essential to foster entrepreneurship. The overall mean value of subjective norms is 4.96 which is close to total agreement with the statements with an overall standard deviation of 1.81. This advocates the fact that the MBA students' close social circle would generally be receptive towards their decision to undertake entrepreneurship. The overall mean value of perceived behavioural control is 4.21 which is close to total agreement with the statements but not as close as the other variables with an overall standard deviation of 1.62. This indicates that the MBA students perceive that there exist certain difficulties and obstacles in undertaking entrepreneurship.

Correlation analysis

Table 2
Correlation matrix

Variables	1	2	3	4	5	6	7
1. Entrepreneurial Intention	1						
2. Attitude towards Behaviour	.830**	1					
3. Subjective Norms	.597**	.668**	1				
4. Perceived Behavioural Control	.686**	.690**	.511**	1			
5. Gender	.102*	0.026	0.005	.116*	1		
6. Prior Experience	.192**	.132**	0.049	.239**	.235**	1	
7. Family Background	.183**	.109*	0.055	.159**	-0.02	.220**	1

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

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

Table 2 presents Karl Pearson's correlation coefficients pertaining to the relationship between different variables. The results show a positive correlation between gender and entrepreneurial intention at 5 percent level of significance. At 1 percent level of significance, prior self-employment experience and family background in entrepreneurship are also positively correlated with entrepreneurial intention. There exists a high positive correlation between personal attitude and entrepreneurial intention as the correlation coefficient is 0.830 at 1 percent level of significance. The correlation coefficient between subjective norms and entrepreneurial intention is 0.597 which also reflects a positive correlation between the variables. Moreover, there exists a high positive correlation between perceived behavioural control and entrepreneurial intention as the correlation coefficient is 0.686. Hence, the correlation coefficients reflect the existence of a positive relationship between the variables.

Comparison of entrepreneurial intention by demographic characteristics

Table 3

Comparison of entrepreneurial intention by demographic characteristics

Characteristics	N	Entrepreneurial Intention		
		Mean	t-stat	Sig.
Gender			-2.013	0.045
Female	214	4.526		
Male	171	4.863		
Prior Self-employment Experience			-3.819	0.000
No	295	4.502		
Yes	90	5.243		
Family Background in Entrepreneurship			-3.68	0.000
No	205	4.395		
Yes	180	4.994		

The results of the t-test have been summarised in Table 3. The results suggest that there is a significant difference between the mean entrepreneurial intention of male and female respondents at 5 percent level of significance which provides evidence for not rejecting Hypothesis 1a. At 5 percent level of significance, there is a significant difference between the mean entrepreneurial intention of students with no any prior self-employment experience and those with prior self-employment experience since the p-value is less than 0.05. It provides evidence for not rejecting Hypothesis 1b. Moreover, there is a significant difference between the mean entrepreneurial intention of students with no family background in entrepreneurship and those with a family background in entrepreneurship since the p-value is less than 0.05. This provides evidence for not rejecting Hypothesis 1c. Thus, there is sufficient evidence to claim that intentions to become an entrepreneur are stronger among males, individuals who have previous experience from being self-employed and individuals who report that at least one of their parents is an entrepreneur.

Regression analysis

Table 4

Regression results of relationship of different variables with entrepreneurial intention

Variables	Model 1	Model 2
Gender	0.238	0.194
Prior Experience	0.544	0.113
Family Background	0.502	0.246
Personal Attitude		0.691***
Subjective Norms		0.068*
Perceived Behavioural Control		0.216***
<i>R</i>²	0.062	0.726
<i>Adjusted R</i>²	0.055	0.722
<i>R</i>² Change	0.062	0.664
F	8.45	167.24
p-value	0.000	0.000

*** Significant at 0.01 level (2-tailed)

* Significant at 0.10 level (2-tailed)

Table 4 illustrates the hierarchical regression results of the relationship of different variables with entrepreneurial intention. The values corresponding to the variables represent unstandardised beta. In Model 1, the demographic variables explain 6.2 percent of the variance in entrepreneurial intention. In Model 2, predictor variables like personal attitude and perceived behavioural control are statistically significant at 1 percent level of significance. On the other hand, subjective norms is significant at 10 percent level of significance. This provides evidence for not rejecting Hypothesis 2. Hence, the more favourable the attitude and subjective norms with respect to being an entrepreneur, and the greater the perceived behavioural control, the stronger the individual’s intention to become an entrepreneur. Model 2 explains 72.6 percent of the variance in entrepreneurial intention after controlling for the effects of demographic variables. Moreover, the ***R*²** change under Model 2 is 66.4 percent which provides strong support for the theory of planned behaviour as a prominent predictor of entrepreneurial intention. Thus, Hypothesis 3 is not rejected. This asserts that the theory of planned behaviour explains additional variance in entrepreneurial intentions beyond that accounted for by the demographic variables.

Conclusion

The study has addressed some unexplored issues in entrepreneurship in the context of MBA students. It has lent support to the application of the theory of planned behaviour in predicting and understanding the entrepreneurial intention. The study has assisted in validating prior findings by shedding light on the factors that influence entrepreneurial

intention. It has reaffirmed that individual traits should not be considered as the only primary factors in assessing the inclination of individuals towards entrepreneurship. Rather, behavioural determinants could do the trick in triggering entrepreneurial intentions among individuals. This fact is encouraging as it reassures that the participation of youth in entrepreneurship can be influenced by factors which can be altered. In order to foster entrepreneurship, entrepreneurship could be promoted as a desirable career option among students while enhancing their personal capabilities in starting a business. This will help in shaping favourable attitude towards entrepreneurship and generating self-efficacy for undertaking entrepreneurship.

Entrepreneurship seems to be cherished as a viable career option among the students. As much as inherent capabilities are important, the findings from the study confirm that external support system in the form of family and friends' encouragement is equally instrumental towards the development of entrepreneurial intentions. Subjective norms are equally influential in the development of intentions as it is significantly linked with the personal attitude of individuals and their perceived behavioural control. An individual who perceives a greater amount of support from close family and friends can be more receptive towards embracing the perceived difficulties in undertaking entrepreneurship, too. There is scope for improvement of the level of entrepreneurial intention among MBA students. Programs that foster entrepreneurial capabilities among students and exposure to role models or entrepreneurs can encourage and drive them towards undertaking entrepreneurship.

There are ample amount of areas for future studies to tap into for understanding entrepreneurial intentions. For instance, proactive personality scale, as well as Big Five personality traits may be a valuable addition to the existing group of variables in order to assess entrepreneurial intention. Since the study is limited only to the MBA students, future studies can be conducted among students belonging to different backgrounds. Researchers may even study venture creators rather than students which may provide wonderful insights into the existing body of literature. By understanding the effects of demographic and psychological characteristics as well as the surrounding forces of individuals, researchers can upgrade their understanding of venture creation.

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Impact of Select Macro-Economic Variables on the Movements of BSE SENSEX

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Abstract

Stock market plays a significant role for the development of Indian economy. In recent days, disposable income of the people living in India and foreign countries are willing to share their contribution towards the stock market in the form of investment. It is essential for the investors to consider the macro-economic factors before their investment in the share market. The objective of this research is to find out the impact of the exchange rate, repo rate and Foreign Direct Investment (FDI) impact on the BSE sensex. For to fulfil the objectives, secondary data of the selected variables have been collected for the years from 2008 to 2017. In order to analyse the collected data correlation and multiple regression have been applied. The researcher found that FDI and exchange rates are the significant predicted variables make the significant impact on BSE Sensex.

Keywords: Macro Economy, BSE Sensex, FDI, Exchange rate, Repo rate, Capital Market

Introduction

Capital market is the electronic platform for the companies and investors to meet out their financial objectives and needs. In the globalised business environment, Indian capital market has started with tremendous changes with volatility, when the government has opened the market to the Foreign Institutional Investors (FIIs) and Foreign Portfolio Investment (FPI). The fundamental operation of the stock market is based on the volatility in the prices of the shares traded in the market. The volatility in the stock market is decided based on the numerous micro and macro environmental factors impact in the market. But the degree of macro environmental factors impact on share market is higher than micro environmental factors. So the linkage of stock market with macroeconomic variables has always been an area of observation and interest among investors and policy makers.

The performance of the stock markets is evaluated based on the indices. It reflects the potential, direction and health of the economy. This study takes into consideration three macroeconomic variables such as Exchange Rate, Foreign Direct Investment (FDI), Repo rate and its impact on Bombay Stock Exchange (BSE) Sensex index. Foreign exchange rate refers to one currency in terms of another currency. Foreign direct investment (FDI) is an

investment made by a firm or individual in one country into control the business interests located in another country. Repo rate is the rate at which the central bank of a country lends money to commercial banks. Sensex, otherwise known as the S&P BSE Sensex index, is the benchmark index of the Bombay Stock Exchange (BSE) in India. Sensex is composed of 30 of the largest and most actively-traded stocks on the BSE, providing an accurate gauge of India's economy.

Review of literature

The followings are the studies are conducted related with the macro economic variables impact on the BSE indexes.

Naik and Padhi (2012) studies association between the Indian stock market index (BSE Sensex) and various macroeconomic variables as Index of Industrial Production, Wholesale Price Index (WPI), money supply, Treasury bills (T-bills) rates and exchange rates from the time period of 1994 to 2011. The analysis reveals that macroeconomic variables and the stock market index are co-integrated and, hence, a long-run equilibrium relationship exists between them. This study perceived that the stock prices are positively relate to the money supply and industrial production but negatively relate to inflation. The exchange rate as well as short-term interest rate is found to be insignificant in determining stock prices. There is bidirectional causation exists between industrial production and stock prices but unidirectional causation from money supply to stock price, stock price to inflation and interest rates to stock prices is established.

Rakesh Kumar (2013) made a investigation based on the average monthly data (January, 2001 to May, 2013) of 12 macroeconomic variables namely, Money Supply, Consumer Price Index (CPI), Gold Prices, Crude Oil Prices, Foreign Exchange Reserves, Foreign Direct Investment (FDI), Foreign Institutional Investment (FII), Call Money Rate, Balance of Trade, Foreign Exchange Rate, Repo Rate, Industrial Growth Rate, using the data reduction technique-factor analysis to derive the factors which determine the performance of stock market in India. The Principal Component Technique after using orthogonal rotation extracted three factors named as Macro Environment, Industrial Performance and Policy Rates. The study highlights that favorable macro environment in India is good for the stock market and the stocks can trade with high Price Earning (PE) ratio and industrial performance play significant role in influencing the stock market. Market rely more on optimistic macroeconomic environment for state's prudent efforts to maintain macro stability.

Venkatraja.B (2014) examined the relationship between the Indian stock market performance (BSE Sensex) and five macroeconomic variables, namely, index of industrial production, wholesale price index, gold price, foreign institutional investment and Real Effective Exchange Rate (REER) over the period of April 2010 to June 2014 using monthly data.

From the results, it appears that 82 per cent of variation found in Sensex is explained by the five selected macroeconomic factors such as WPI, IIP, FII and REER. It is also found that Sensex is inversely influenced by changes in gold price. Among the five variables, the coefficients of all the variables except IIP are statistically significant. The researcher concludes that inflation, inflow of FII, exchange rate and gold price significantly impact the Indian stock market performance.

Pooja Singh (2014) investigated the relationship between macroeconomic variables namely, Index of Industrial Production, Wholesale Price Index, Money supply, Interest Rates, Trade Deficits, Foreign Institutional Investment, Exchange Rate, Crude oil Price and Gold Price with the Indian stock market indices. The multivariate stepwise regression and Granger's causality test were used to determine the relationship. The study found that, the gold prices have its negative impact on the stock market indices and foreign investment as well as money supply exhibits positive impact on the stock market indices. The exchange rate shows its adverse effect on the stock market indices during the study period. Granger causality test signifies that there exists unidirectional causal relationship from exchange rate to stock market indices. Thus, any movement in the value of exchange rate has influence on stock market.

Gurloveleen and Bhatia (2015) both of them investigated the impact of macroeconomic variables on the functioning of Indian Stock Market using the monthly data of ten macroeconomic variables namely Broad Money, Call Money Rate, Crude Oil Price, Exchange Rate, Foreign Exchange Reserve, Foreign Institutional Investors, Gross Fiscal Deficit, Index of Industrial Production, Inflation Rate and Trade Balance and one stock market index i.e. BSE 500. The Augmented Dickey Fuller (ADF) Test, Multiple Regression and Granger Causality Tests were employed to find out the results. The two macroeconomic variables Foreign Institutional Investment and Exchange Rate were found significant. It has been observed that these variables have no relationship with closing prices of BSE 500 manufacturing firms. The study also revealed that the Indian Stock Market was a weak form efficient because no relationship was found amongst the variables during the study period.

Kiran Kumar Kotha and Bhawna Sahu (2016) examined the long and short run relations between selected macroeconomic indicators and stock market returns by employing monthly data from July 2001 to July 2015 since major stock market reforms viz., ban of Badla system, introduction of rolling settlement and introduction of stock derivatives, were all implemented in July 2001. With the help of Co-integration and Error Correction Model (ECM), there is a long run relationship between the BSE Sensex and select macroeconomic indicators viz., Exchange Rate, wholesale price index, T-bill rates.

Ravindra Tripathi et.al., (2016) made an attempt to explore the relationship between the Indian stock market represented by BSE Sensex and key macro-economic variables such as IIP, FDI, and WPI of the Indian economy using regression model. The findings showed that IIP is the basic predictor of BSE Sensex whereas; FDI and WPI were not found to be a significant predictor of BSE Sensex.

Mahmud Ramadan Barakat et.al., (2016) investigated the relationship between the stock market and macro economic factors in Egypt and Tunisia for the period from January 1998 to January 2014 using Unit root test, Augmented Dickey Fuller test, vector auto regression, Co-integration test and Granger causality test. The results indicated that there is a casual relationship in Egypt between market index and consumer price index, exchange rate, money supply and interest rate and in Tunisia except for CPI, which had no causal relationship with the market index and also revealed that the four macroeconomic are co-integrated with the stock market in both countries.

Statement of the problem

Stock market is the barometer for the development of Indian economy. The economic downward and upward movement is directly revealed its impact on the share price movement in Indian stock market. So the investors are very cautious towards the macro environmental factors before their investment decision in the share market. This research studied the impact of selected macro environmental factors in the BSE Sensex movement.

Objectives of the study

To investigate the relationship among the BSE sensex and various macro-economic variables namely, Exchange rate, Foreign Direct Investment and Repo rate.

To analyse the impact of macro-economic variables on the movement BSE SENSEX

Hypotheses

H01: There is no relationship among macro-economic variables and BSE Sensex

H02: Exchange rate is not a significant predictor of BSE Sensex

H03: Foreign Direct Investment is not a significant predictor of BSE Sensex

H04: Repo rate not a significant predictor of BSE Sensex

Methodology

This research is analytical in nature and it is purely based on the secondary data. The secondary data have been collected from the Journals, Reserve Bank of India, Bombay Stock Exchange and trading economics websites. The data collected for the period between the years of 2008 to 2017. The collected monthly data is transformed into quarterly data through using average. The data is transformed for the purpose of creating the uniformity

in the data for the analysis. In this research 40 observations made for the analysis. In order to analyse the collected data, correlation and multiple regression is applied.

Results

Table 1

Relationship among the exchange rate, FDI, repo rate BSE Sensex- multiple correlation

	Exchange Rate	FDI	Repo Rate	BSE Sensex
Exchange Rate	1.000			
FDI	.521**	1.000		
Repo Rate	.288	.152	1.000	
BSE Sensex	.563**	.633**	.004	1.000

Source: Computed from SPSS

From the table.1, it is inferred that exchange rate is positively correlated with FDI (.521), Repo rate (.288) and BSE sensex (.563). It is found that whenever the US Dollars rate is increased against the INR, the FDI inflow and BSE sensex is significantly increased in the respective market. But the repo rate is having the weak positive relationship with exchange rate; it denotes exchange rate increase may be having the impact of increase the repo rate in the banking sectors.

FDI is found the positive relationship with repo rate (.152) and BSE sensex (.633). It means increase in the FDI inflow significantly increase the BSE sensex but FDI inflow increase may be increase the movement of repo rate.

Repo rate is having the positive (.004) weak correlation relationship with BSE sensex, It means increase in the repo rate having very less raising impact on the BSE sensex, it is not a significant one.

Impact of exchange rate, FDI and repo rate on BSE Sensex- model summary

Regression model includes the R value, R square and standard error. R is the correlation between the predicted values and the observed values of Y. R square is the square of this coefficient and indicates the percentage of variation explained by regression line out of the total variation. R-squared is a statistical measure of how close the data are to the fitted regression line.

Table 2

Impact of exchange rate, FDI and repo rate on BSE Sensex- model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.709 ^a	.503	.462	4400.293

a. Predictors: (Constant), Repo Rate, Foreign Direct Investment, Exchange Rate

Source: Computed from SPSS

Table.2 explains the model summary results of the impact of Exchange Rate, FDI and Repo rate on BSE Sensex. The R value .709 denotes all the independent variables such as Repo rate, Foreign Direct Investment (FDI), Exchange rate explains the BSE Sensex with 70.9 percent.

Impact of exchange rate, FDI and repo rate on BSE Sensex- model fit

The model fit is essential to assure the significant of all the independent variable impact on the dependent variable. The model fit includes sum of squares, Degrees of Freedom, Mean square, F value and significant value of the ANOVA. In order to know the significance of the framed model fit, ANOVA is used in the regression analysis. The null hypothesis is that model is not significant.

Table.3

Impact of Exchange Rate, FDI and Repo rate on BSE Sensex- Model fit

ANOVA ^a					
Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	705542465.790	3	235180821.930	12.146	.001 ^b
1 Residual	697052944.246	36	19362581.785		
Total	1402595410.036	39			

a. Dependent Variable: BSE Sensex

b. Predictors: (Constant), Repo Rate, Foreign Direct Investment, Exchange Rate

Source: Computed from SPSS

From the table 3, it is understood that the significant value of .001 is less than the P value of 0.05, so the null hypothesis is rejected. It means the model is fit.

Impact of exchange rate, FDI and repo rate on BSE Sensex- multiple regression

Regression model is useful to frame the regression equations. A linear regression line has an equation of the form $Y = a + bX$, where X is the explanatory variable and Y is the dependent variable. The slope of the line is b, and a is intercept.

Table 4

Impact of exchange rate, FDI and repo rate on BSE Sensex- multiple regression

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-1144.395	8121.682		-.141	.889
1 Exchange Rate	323.331	124.432	.369	2.598	.013
FDI	.792	.233	.467	3.396	.002
Repo Rate	-906.932	641.639	-.173	-1.413	.166

a. Dependent Variable: BSE Sensex

*Source: Computed from SPSS***Multiple Regression Model**

$$\text{BSE sensex} = a + b_1 * \text{Exchange rate } x_1 + b_2 \text{ FDI } x_2 + b_3 \text{ Repo rate } x_3$$

$$\text{BSE sensex} = -1144.395 + 323.331 x_1 + .792 x_2 + -906.932 x_3$$

Among all the independent variables BSE Sensex is highly influenced by FDI (.792), followed by exchange rate (323.331) and repo rate (-906.932).

In a nutshell, FDI is highly influence the BSE Sensex, it means cash inflow of FDI have a direct impact on the share prices of the companies indexed in BSE Sensex. Repo rate does not have the significant impact on BSE Sensex movements.

Conclusion

The researcher conclude that, investors before they are going to invest in the share market they need to consider all the macro environmental factors, but the degree of consideration is essential for making the investment into profit. The policy makers should consider the impact of macro environmental factors in the share market before making any changes in the economic policy.

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Effects of Job Mobility from Domestic Work to Factory Work of Female Workforce in Urban India

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Abstract

The purpose of this paper is to explore the motivating factors leading to the occupational / job mobility phenomenon by female workers from the domestic labour work to the factory work alongside anticipating the problems due to the mobility, from both the sectors context. Existing research literatures concentrated on the pros and cons of working conditions available in both domestic and manufacturing sectors separately. This paper is an attempted to bring together these both categories of work and frame a broader idea on factors contributing for this job mobility. The motivating factors and problems were driven from the available reports, journal articles and authors' observations. These motivating factors are categorized into pull and push factors. Push factors are the circumstances in domestic sector that make a worker to leave the sector, and Pull factors are the advantages a manufacturing sector that are motivating a worker to join the sector. Thereby possible perceived women empowerment due to the shift, in the dimensions of economic growth, societal and family status, education (legal literacy & Skill development), health condition, Political participation, and psychological acceptance of empowerment were also explored. The paper draws the implications for policy makers and academicians.

Keywords: Female, Informal labour market, Occupational mobility, Public policy, Working conditions

Introduction

There is an observable tacit structural change in female workforce's participation in economic activities of urban India. The women who were engaged as domestic workers, an informal part of care economy are now becoming part of formal manufacturing economy, though the demand for paid domestic workers is expanding. It is indeed that the growing affluence particularly in the urban-middle class has bestowed for this demand (Ghosh 2013). Hence for this change one cannot claim the demand for domestic labourers is shrinking in

Indian economy as a reason. The other probable reasons forced female domestic labourers to move out of it can be socio-economic drawbacks involved in domestic work sector and the expansion of labour intensive factories. Rubinow's (1906) predicted that the problems of domestic service workers will be gradually and slowly solved by the workers themselves with declining to render the service and now it has been turning out to be true. Unlike other labour market activities, domestic work activities happen in an unconventional work place, i.e. the household (Rights for Domestic Workers - UN India). Getting acceptance from public for household as a workplace is a challenge. Domestic work is generally perceived by employers as well as the workers themselves as something lower than regular work. Prejudice and social & financial status related bias are echoed very strongly at the place of work for several domestic workers. Some of the key issues of domestic work are working hours ranging from 8 to 18 hours, the absence of any job security, absence of formal contract ensuring an employee-employer relationship, lack of organized system, pitiable bargaining power, poor legislative protection, and insufficient welfare measures with no maternity leave, health benefits, and provision for weekly holidays. Domestic workers are one of the marginalized communities in society. In contrast, labourer interest is being protected in organized workplace, for instance factories are governed by various legislative acts (Minimum Wages Act, Bonus Act, Factories Act, and PF Act etc.), ensured job security, fixed working hours, regular periodical salary, and other add-on benefits. There by it can elevate the social and economic status of women who were previously engaged in domestic labour.

The other reason for job mobility can be the expansion of manufacturing sector to rural and semi-urban areas. Many manufacturing units are prompted to shift operations to rural or semi-urban areas because of rising labour costs triggered by a shortage of workers, and the rise in land value in Tier I cities. For instance, an increasing number of garment producers are shifting their manufacturing operations from Bangalore city to nearby Tier II and Tier III cities and towns of Karnataka, Andhra Pradesh, and Tamil Nadu states in India (Kulkarni, 2015). Relocation of such units to semi-urban and rural areas is creating jobs locally, thereby changing the dynamics of semi-urban and rural areas in terms of preventing migration, increasing women workforce participation, and bringing unorganized sector workforce to organized sector etc. Industries like garments and agarbatti recognized as labour intensive are generating employment opportunities for local female workforce at the lower level management. In this juncture of drawbacks within the domestic sector and the expansion of manufacturing sectors raised the need of this study.

Concurrently with the betterment of work opportunity, legal security, and financial security there is a probability of change in perceived empowerment of domestic female workers turned factory workers in terms of economical, social, educational, legal, political, and psychological. On these grounds it is felt essential to understand causes for female workers' shift from domestic sector to manufacturing sector.

Need for the study

Domestic workers are one of the marginalized sections of workers in the society. Especially the female workers condition is more vulnerable. Most of them are unskilled labourers. Domestic workers have little control over their working conditions other than the choice of accepting the job or quitting. The part of employers continues to be a key component in improving the status of domestic service occupation since household labour talks frequently occur within the underground economy and involve less government regulations (Romero 1999). In this background when the opportunities for unskilled in the organized sectors are accessible like factory works, construction, and works under government schemes like MNREGA (Mahatma Gandhi National Rural Employment Guarantee Act), most of them quit the domestic work and prefer to join organized sector. Such scenario is observable India. The rise of large scale and micro, small & medium scale industries in rural and semi-urban regions is creating employment opportunities for female workforce.

Thus to support the observed scenario with theoretical text there is a need for studies focusing on the factors motivating female workers to leave the domestic work and join the factory work.

Conceptual framework

For the above stated problem the subjects are female domestic workers turned factory workers; female factory workers who were previously working as domestic workers. The conceptualization of terms domestic workers, and factory workers are present below.

Domestic worker: Defining domestic work is hard. This is because of the character of domestic occupation itself and also domestic workers are not a homogeneous group (Chigateri, Zaidi and Ghosh 2016). As per Domestic Workers Convention, 2011, Article 1: (a) the term “domestic work” defined as the work performed in or for a household or households; (b) the term “domestic worker” defined as any person engaged in domestic work within an employment relationship; (c) a person who performs domestic work only occasionally or sporadically and not on an occupational basis is not a domestic worker, (Convention C189 - Domestic Workers Convention, 2011 (No. 189)).

In Indian context, as per the guidelines of Extension of Rashriya Swasthya Bima Yojana (RSBY) to domestic workers, the word “Domestic Worker” means, “a person who is employed for remuneration whether in cash or kind, in any house hold through any agency or directly, either on a temporary basis or permanent, part time or full time to do the household work but does not include - any member of the family of an employer.” He/she should have been have completed 18 years of age. Further the Domestic workers welfare and social security Act 2010, includes another domestic work related term “Replacement worker”, and it means “one who is working as a replacement for the main workers for a short and specific period of time as agreed with the main worker. It also explains the nature

of household and allied work includes but is not limited to activities such as cooking or a part of it, washing clothes or utensils, cleaning or dusting of the house, driving , caring/nursing of the children/sick/old/mentally challenged or disabled persons” (Domestic workers Welfare and Social Security Act 2010).

In this paper the term “domestic workers” is conceptualized as presented in the work of Jeet Singh Mann (2016), as a valuable human resource, performing household work in the private households for some consideration for services rendered.

Factory worker: The terms ‘factory worker’ is considered as per the Factories Act, 1948. Under the act, the terms ‘worker’ and ‘factory’ are defined separately. ‘Worker’ is defined and interpreted as “a person employed directly or by or through any agency (including a contractor) with or without the knowledge of the principal employer whether for remuneration or not in any manufacturing process, or in cleaning any part of the machinery or premises used for a manufacturing process, or in any other kind of work incidental to, or connected with the manufacturing process, or the subject of the manufacturing process but does not include any member of the armed forces of the Union”;

"factory" means any premises including the boundaries thereof-

- (i) “whereon ten or more workers are working or were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on with the aid of power, or is ordinarily so carried on”, or
- (ii) “whereon twenty or more workers are working, or were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on without the aid of power, or is ordinarily so carried on,- but does not include a mine subject to the operation of the Mines Act, 1952 (XXXV of 1952) or a mobile unit belonging to the armed forces of the Union, a railway running shed or a hotel, restaurant or eating place”;

Methodology

Considering the limited research in this area the paper followed exploratory research design. The possible reasons for job mobility from domestic work sector to manufacturing sector were extracted by interpreting the literatures related to the occupational mobility in different sectors in the background of authors’ observations. The subjects for the study were female factory workers who previously worked as paid domestic workers. The observational study was limited to the southern part of Andhra-Karnataka states in India - Gouribidanur Taluk, Chikballapur district, Karnataka and Hindupur Taluk, Anantapur district, Andhra Pradesh.

Review of literature on workforce occupational mobility

Causes and effects of the female workforce's job mobility from domestic work sector to manufacturing sector can be better understood by going through the job mobility studies in various sectors; like workers moving out of agriculture sector (Prabakara, Devia and Selvamb 2011), road haulage industry (Marchington and Carroll 2003), leaving employment in organized sector and becoming self-employed (Fields 1990), and scarcity of unskilled labour force in urban manufacturing sector in Indian context and abroad. The significant reasons recognized for the labour scarcity in agriculture sector includes high wages in other locally available jobs, the jobs in this sector are seasonal in nature and assumption of an agricultural job to be of low esteem (Prabakara, Devia and Selvamb 2011). The growth rates in wages are not commensurate with agriculture labour productivity growth (Reddy, Rani and Reddy 2014). Marchington and Carroll (2003), in their study on haulage companies' labour scarcity and problems of recruitment and retention of drivers in the north-west of England coined that unattractiveness of lorry driver occupation due to the nature of work it involves such as long working hours, driving in increasingly congested roads, and overnight stays.

Studies say that a person will readily accept a self-employment in informal sector rather than being unemployed during the adverse economic crisis that pushed out them from formal employment (Packard 2007). Gary S. Fields (1990) conceptualized 'Urban informal sector' in to two categories. One is more unattractive and worker wishes to leave sector. This informal sector is characterized with virtually unrestricted entry, irregular working hours, low wage rates or self-employment low income, informal work place, lack of protection and regulation. The other category of informal sector is restricted-entry self-employment; to which person aspires to join inspite of it is being informal. This sector entry is restricted; sizeable amass of financial capital and/or human capital are requisite to venture it. Self-employed persons in this informal category had left formal sector employment willingly, due to their perception of better wages and/or the working conditions, if they work on their own. Based on these descriptions, domestic work is more with the nature of first category of urban informal sector. Hence the workers are moving out of it as they find better opportunities.

From the existing literature, probable reasons those pushed female workers from domestic work and those pulled them towards factory work were enumerated. Domestic service remained as an economically marginalized work that subjected its workers to exploitation and abuse (Smith 2012). Unskilled home care aides i.e. domestic workers are on the front lines of this mushrooming industry, distressed with the veracity of poor pay, low status of the work and, job insecurity (Stacey 2005). It is seen that problems of domestic workers, whether employed in India or outside India, are about prolonged working hours, deplorable working conditions, irregular wages, sexual harassment, discrimination, and lack of right

to freedom of association (Mann 2016). Another important push actor is presence of social discrimination towards domestic workers. Sara Dickey (2000) found that employers feel the movement of servants into and out of the middle- and the upper-class homes, creates a mixing of spaces/classes. This mixing threatened the security of employers' homes and class standing. Employers' attempt to restrain the threat by reinforcing the symbolic boundaries of the household, and controlling workers' movements created domestic workers' social disempowerment (Dickey 2000). The argument 'many aspects of domestic work are unique' remained valid today as it was decades ago. Majority of domestic workers are still barred from provisions granted to other sector workers with respect to working conditions, such as minimum wage coverage, working time, paid annual leave, and maternity protection.

As against to these female workers are legally protected in organized sectors. Their social needs of dignity of labour, gender equality, and health care provisions are taken care. Formation of unions is allowed and there by collective bargaining is ensured. They are chances to get legal awareness about their rights and protection. Society also accepts this as a better job than domestic worker. Income has a strong impact on female labour force participation rates, to the total female workforce participation the low-income households participation is higher largely due to their economic necessity (Das, Jain-chandra, Kochhar, & Kumar, 2015). The research on emotional well being by Loscocco and Spitze (1990) presented that the net impact of the various types of work conditions on distress and happiness of women follows a pattern similar to that found among their male counterparts. This highlights that emotional well being of female is similar to that of male in the factory workplace. In flexible state labour market, the probability of being employed in the formal sector is more, as opposed to the informal sector (Das, et al. 2015).

In the available literatures, factors pushing out the workforce from agriculture and other sectors are discussed excluding domestic work sector. There are studies on the challenges and vulnerability faced by the domestic workers, but they are not mentioned as pushing factors. And also there are limited studies on the impact of workforce shifting from one sector to another on both the sectors.

Factors for female workers' job mobility

Push factors: As elsewhere, in India too domestic work is characterized by lack of formality, poor working environment, precarity, poor pay, short of minimum wage, irregular and lengthy working hours, lack of rest periods and adequate leave, poor workplace safety and job security, absence of maternity and other work benefits (like child care, medical insurance, pensions), arbitrary dismissals (with no prior notice or compensation), acute lack of social security and protection, and they are subjected to gendered, caste, and class discrimination (Chigateri, Zaidi and Ghosh 2016). Domestic workers are predominantly susceptible to human rights abuses with regard to their working conditions (Augustine and Singh 2016). Apart from these the stigma of domestic work as dirty work is being

allied with dirt handling, low or negative occupational prestige, and they have a servile relationship to their employers (Bosmans, et al. 2016). These are found as push factors from the literature for the female workers leaving domestic work.

Pull factors: Female labourers, whose work was rarely seen or recognized, is now tangible and recognized. The world of work is segmented along the lines of caste, religion, gender, region, etc. This led to several problems, such as labour immobility for different groups in particular rural women, huge wage differentials and discrimination etc. The rise in factories nearby their location motivated them to participate in economic activities (Jha 2017). Factory legislation in India aimed at protecting labour rights in number of ways, for example permitting formation of labour unions, motivating collective bargaining, laying down minimum obligations to be met by employers with regard to social and financial benefits, health, safety and security of workers, special facilities provision for female workers, setting up grievance redressal mechanisms, etc. If women work as factory worker rather than domestic worker, they can have better access to financial services and there will be improvement in their decision making abilities. Thus there is more scope for female workers in factory than domestic sector for the recognition of work, minimizing the gap of gender discrimination and class differentials in the society, better access to finance, social, health and safety benefits, and also it contributes to improve legal awareness in their rights.

Perceived women empowerment due to the job mobility

Perceived empowerment in the present study manifested as internal reactions of female factory workers who were previously domestic workers, to their current work's direct and indirect outcomes in connection with economic growth, societal and family status, education (legal literacy & Skill development), health condition, Political participation, and psychological acceptance of empowerment. With the shift to factory work from domestic work, there can be change in their perception of their self empowerment i.e. freedom to take decision and enjoy the fruits of organized work place. Perceived economic empowerment can be – increase in income, better access to credits, financial contribution for family, and increase in purchase power. Perceived Social empowerment can be – dignity of labour, acceptance of work from society and family, recognition of work by the family, and better support from family. Educational empowerment perception can be improved when they are exposed to legal literacy programs of labour rights, and skill development training. When they become member of labour union, participate or contest in union elections, and able to do collective bargaining, perceived political empowerment among women workers can be observed. There can be considerable change in their physical health and psychological condition. Having ensured workplace safety and security, grievance redressal cell, and secured transportation facility, there will be perceived safety security empowerment leading to freedom of movement and expression.

Problems arise due to workers mobility between the sectors

Domestic work sector: First and foremost problem happens to be labour scarcity in the domestic work sector. Much income based upper middle class and most of the upper class families depending on the female workers for domestic chores work. There will be a disturbance in the structure of care economy. This may lead to the reductions of choices to the employers to appoint good, trust worthy and caring domestic workers. Female workforce of higher level income group was able to participate in the economic production while domestic workers are sharing or helping them in handling household work. Household work here includes not only cooking, washing, cleaning but also it include taking care of elderly sick members of the family, and infants. Due to the workers leaving this sector, women of those higher income classes are either forced to sacrifices/leave the full-time work participation or end up in paying unconventionally high wages. The possibility of further exploitation of existing domestic workers by means of forced labour and human trafficking (for labour purpose) cannot be neglected.

Manufacturing sector: Factories have to ensure safety and security for female workers at the workplace and additional security steps to be taken to ensure safe transportation facility to them. The social responsibility of management will be more as most of the domestic workers who joined the factory work are less aware of their rights at work place, and their literacy rate is low. Thus management has to ensure these category female workers are not exploited due to their ignorance of laws and rights. Though factories run with the code of fixed working hours, there is a need of flexibility in those working hours as there is larger social expectation on women to undertake household domestic work (Neetha 2017) and family care responsibility. Else this may lead to higher employee turnover due to the disturbance in workers' family life they may stop turning to the factory. It is also essential for the management team of these factories to study the socio-cultural background of the people in and around the location to frame the better labour policy and implement it at workplace.

Implications

Taking the lessons from dual sector model in developmental economics in general Lewis Model, this shift of labour force from unorganized sector to organized sector, shows the growth of developing economy like India. This shift has dual effects both positive and negative as mentioned earlier. However it can be said that catena of statutory protections to domestic workers under domestic laws, have been confined to statute book only (Mann 2016). Policy initiatives and their awareness among the domestic workers can protect them from exploitation and ensure financial, social, and health security. There is limited data about the number of domestic workers and their contribution to the economy. If the government can make a policy for mandating the registration of every domestic work employer and employee, there can be a track record of domestic work sector and thereby better policies

on protection of domestic workers rights can be framed and implemented effectively. Given the power that employers exert over working conditions domestics feel dependent on and at the mercy of their employers more than other workers (Romero 1999). In fact a major worrisome trend is the relentless informalisation of work in the formal sector (Jha 2017). Policy initiatives including labour market flexibility, investment in infrastructure development, and improved social spending (Das, et al. 2015) can help to enhance the female economic participation in India.

Scope for further studies

The current study is based on the available limited resources and authors' observations. Thus to make a stronger argument regarding cause and effects of the job mobility of female workforce from domestic workplace to factory work place in the Indian economy there is a need of further qualitative and empirical study of shifting trend.

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