TESTS OF THE WEAK-FORM EFFICIENCY IN THE OMANI STOCK MARKET

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Abstract

This paper examines whether the weak-form EHM applies to the Muscat Securities Market (MSM) in Oman in presence of thin trading. The data used in this research are daily returns for the MSM30 Index from 1st January 2003 to 31st December 2007. Additionally, the study also uses daily and weekly returns of the five largest stocks in the MSM. The validity of weak-form EMH was tested using serial correlation tests, runs test and variance ratio tests. Before correcting the returns for thin trading, all tests rejected the weak-form EHM for the MSM. However, after correcting for thin trading tests, the rejection of the weak-form EMH for the MSM became less pronounced, but the results were not significant enough to support the EMH. The contribution of this study is unlike other research in Gulf Cooperation Council (GCC) stock markets, this research employs both daily and weekly returns. Also, unlike other studies of the MSM, this one employs a methodology that takes thin trading into account.

Keywords- MSM; GCC; weak-form efficiency; thin trading; runs test; serial correlation tests; variance ratio tests.

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Introduction

Securities markets provide a basis for economic growth for most economies in the world. This applies especially to the developed countries such as the USA, UK, Japan and Europe, but also to developing countries such as Singapore, Malaysia, India and China. The markets play an important role in raising funds for many firms, as well as in mobilizing savings. Hence, these markets should be a place of fair trading and not for gambling and spreading rumors. In other words, they should exhibit 'market efficiency', a term first introduced by Fama et al (1969)[1].

Three aspects of market efficiency are discussed in the economics literature: operational, allocational and informational efficiency. In order to achieve high efficiency, all three aspects must be present. If such conditions prevail, investors might shift their investment from the stock markets into other investments, such as government bonds or bank deposits. Thus stocks in the securities market will become less liquid and more thinly traded. Furthermore, many firms would find it more difficult to raise funds from new issues for their expansion and development.

The importance of market efficiency is generally recognized. In the 1970s, the efficient market hypothesis (EMH) which was derived form the term 'efficient market' was the central proposition in finance[1]. Fama (1970) divided the EMH into three forms: weak-form efficiency, semi-strong-form efficiency and strong-form efficiency. Weak-form efficiency has been intensively with respect to both developed and developing securities markets, while semi-

operational efficiency, the transaction costs of exchanging securities should be very low and liquidity in the market should be high. Allocational efficiency refers to the notion that resources should be allocated to their most profitable use at the lowest cost. Finally, informational efficiency states that the market prices of any stock should reflect, rapidly and objectively (without bias) all available information (Booth and Cleary, 2007). The latter point is the focus of this present research.

Continuous disclosure of all available information and transparency on the part of the issuer of stocks are key elements of informational efficiency. However, if asymmetric information exists in the market, many investors with better access to information may be able to gain and many investors with less access to information may lose.

Literature Review

Efficient Market Hypothesis (EMH)

The purpose of investing in the stock market is to earn dividends or secure a capital gain (normal returns). However, some investors aim not only to gain normal returns, but also to outperform the market. According to the EMH, formulated by Fama (1970), if all investors have access to the same information, no investor would be able to outperform the market. Thus, the EMH states that stock prices fully reflect all available information, rapidly and precisely.

The theory that states successive stock prices must be independent and unpredictable (random), which is also known as the random walk hypothesis. The hypothesis is that the stock price in period t+1 is independent of the stock price in period t. Furthermore, since strong and strong-form efficiencies have been investigated mainly in the context of developed stock markets, since most of the developing stock markets have been found to be weak-form inefficient.

Given the above scenario, the present research examines the weak-form EMH of the Omani stock market[2], namely the Muscat Securities Market (MSM). In fact, to the best of my knowledge, there are only three studies of market efficiency in Oman. One was published by researchers from the Central Bank of Oman (CBO), Al-Raisi and Pattanaik (2006), while other two were by Dahel and Laabas (1998) and Elango and Hussein (2007). Hence this study seeks more evidence about market efficiency in Oman with a different methodology and new data.

Semi-Strong Form Efficiency - The second level of market efficiency emphasizes that share price reflect not only past information, but also all publicly available information. Such information comprises annual company reports (fundamental data), company earning forecasts, dividends and stock splits. Therefore, if all market participants have access to this data, none would be able predict future stock prices.

Strong-Form Efficiency - The highest level of the EMH states that all relevant information on any firm, even insider information, is already reflected in stock prices. This form is not particularly credible and is unlikely to hold in reality. Al-loughani and Moosa (1997), Nourredine Khaba (1998), Moustafa (2001), Hassan, Al-Sultan and Al-Saleem (2003), Rao and Shankaraiah (2003), Squalli (2005), Al-Raisi and Pattanaik (2006) and Elango and Hussein (2006). On the other hand, only two studies support weak-form efficiency, Al-Awad and

some information has more influence over share prices than other information, Fama (1970) classified the EMH into three forms: weak, semi-strong and strong form. This section briefly describes the three forms.

Weak-Form Efficiency - The lowest level of the EMH states that historical information, such as past prices and trading volumes, cannot predict future stock prices. This is because most historical public information is widely available to all participants and is relatively costless. If weak-form efficiency holds, then technical analysis (which uses past information to identify trends in the future stock price) is useless.

Review of Weak-Form EMH Literatures for Oman and the GCC

There are several EMH studies of the GCC stock markets. Table 3.1 summarizes 15 studies of market efficiency in the GCC stock markets. Most are based on the Kuwaiti and the Emirati stock markets. There are only three studies of the Omani stock market, to the best of the author's knowledge.

On one hand, the majority of these studies (11 of 15) conclude that the GCC stock markets are inefficient at the weak-form level, Ebid (1990), Butler and Malaikah (1992), Al-Loughani (1990), Hassan (2001) and Moustafa (2004). These two studies were based in the United Arab Emirates (UAE). Also, mixeced results were found in two studies, Dahel and Laabas (1999) and Abraham, Seyyed and Al-Sakran (2002). Several statistical techniques have been used to test weak-form efficiency in the GCC. Most of these studies (7 of 15) use serial correlation tests and run tests and only two use variance ratio tests. Very few studies use statistical techniques such as moving averages, unit root, Granger causality, EGARCH, GARCH and ARCH.

The data used for testing the weak-form efficiency in the GCC stock markets are daily returns (9 of 15 studies) and only 5 use weekly returns. The longest period for testing weak-form efficiency in the GCC markets is 10 years, Al-Raisi and Pattanaik (2006) and the shortest period is one year, Rao and Shakaraiah (2003). However, the majority of these studies are between 7 and 5 years.

In comparison to the previous studies, this study use daily and weekly returns of both the general index and individuals stocks. Thus, this is the first paper to employ both weekly and daily returns for both index and individual firms in the GCC stock markets.

Overview of the Omani Stock Market

The MSM is relatively new and small in terms of market capitalization and trading volumes. Like other GCC stock markets, the MSM is characterized by thin trading. In terms of profitability and trading activity, the banking sector dominates the market. Foreign investment in the market is low, with investment restricted mainly to GCC citizens.

The MSM was established on 21st of June 1988. It is divided into three submarkets according to company profitability, market capitalization and the period of time it has been in existence. These markets are the organized market, the parallel market and the third market.

Also, each submarket is divided into three sectors: a banking and investment sector, an industry sector and a services sector.

Table 2.1: summary of EMH studies of the GCC stock markets

Author	Market	Method	Data	Result
Ebid (1990)	UAE	Serial correlation tests	Weekly stock returns of 21 stocks over the period 1986-1990	Reject weak-form EMH
Butler and Malaikah (1992)	Kuwait and Saudi Arabia	Serial correlation test and runs test	Daily individual stock return in both market over the period 1985-1989	Reject weak-form EMH
Al-Loughani (1995)	Kuwait	Various methods	Weekly values of the Al-Shal index over the period 1986-1990	Reject weak-form EMH
Al-Loughani and Moosa (1997)	Kuwait	Moving averages	Weekly values of the Al-Shal index over the period 1986-1990	Reject weak-form EMH
Nourredine Khaba (1998)	Saudi Arabia	Serial correlation tests	Unknown	Reject weak-form EMH
Dahel and Laabas (1999)	Oman, Kuwait, Bahrain and Saudi Arabia	Unit root, variance ratio and serial correlation, tests	Weekly values of the four market indices over the period 1994-1998	The Kuwaiti market supports weak-form EMH and the other three markets are inefficient
Al-Awad and Hassan (2001)	United Arab Emirates	Granger causality test	Daily values of different indices in the UAE market over the period 1997-2000	The UAE stock market is efficient
Moustafa (2001)	United Arab Emirates	Runs test	Daily returns of 18 stocks in the UAE stock markets over the period 1999-2001	The UAE stock is inefficient

Source: author 2008

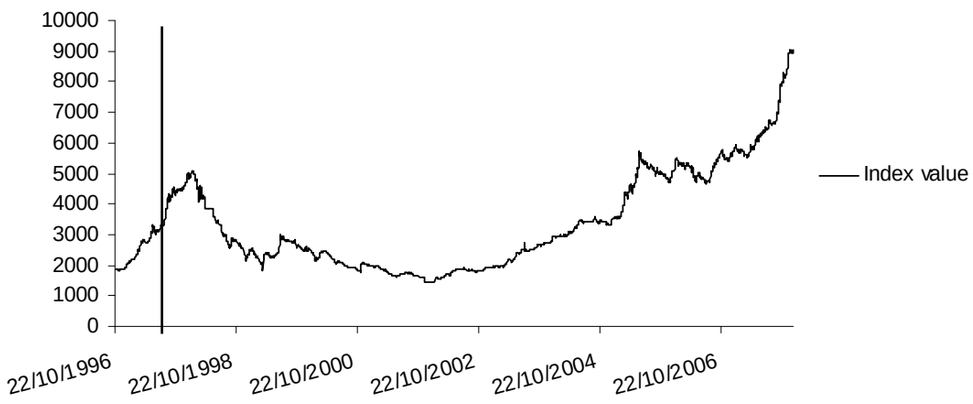
Table 2.1: continued

Abraham, Seyyed and Al-Sakran (2002)	Kuwait, Bahrain and Saudi Arabia	Variance ratio test and runs test	Weekly index values for the three markets over the period 1992-1998	Reject weak-form EHM when observed value indices used, but when corrected value indices used, it cannot be rejected.
Hassan, Al-Sultan and Al-Saleem (2003)	Kuwait	EGARCH and GARCH	Daily index values of Kuwaiti stock market over the period 1995-2000	Reject weak-form EMH
Rao and Shankaraiah (2003)	Bahrain	Serial correlation tests and runs test	Daily stock returns of 12 stocks over 12 months (1996)	Reject weak-form EMH
Moustafa (2004)	United Arab Emirates	Runs test	Daily returns of 43 stock in the UAE stock markets	Support weak-form EMH
Squalli (2005)	United Arab Emirates	Variance ratio test, runs test, serial correlation tests and cointergration and granger causality tests	Daily sectors indices of the UAE stock markets over the period 2000-2005	Reject weak-form EMH
Al-Raisi and Pattanaik (2006)	Oman	Serial correlation, ARCH and GARCH	Daily index values of the MSM30 index over the period 1997-2006	Reject weak-form EMH
Elango and Hussein (2006)	All GCC markets	Runs test	Daily index values of all GCC markets over the period 2001-2006	Reject weak-form EMH

Source: Author

Figure 3.1 and Table 3.1 show the performance of the MSM after the 1998 "crisis":

Figure 3.1: Trend in the MSM before and after the 1998 crisis



Source: Author

Table 3.1: Performance indicators for the MSM

Description	**2007**	**2006**	**Change (%)**
MSM30 Index(points)	9,035.48	5,581.57	61.88
No. of Stocks Traded	3,423,592,733	1,113,397,620	207.5
Turnover (USD)	1,025,062,624	434,174,651	136.1
Mkt. Capitalization (USD)	3,955,068,365	2,395,020,429	65.14

Source: the MSM, 2008

Table 4.1: the sample of stocks

Stock Name	Symbol*	Weight in the index*	Study period
Bank Muscat	BKMB	16.71	01/01/2003 to 31/12/2007
National Bank of Oman	NBOB	10.45	01/01/2003 to 31/12/2007
Raysut Cement	RCCI	7.79	01/01/2003 to 31/12/2007
Oman Tel	OTEL	21.76	28/07/2005 to 31/12/2007
Renaissance Services	RNSS	5.32	28/07/2005 to 31/12/2007

Source: prepared by the author

*based on the MSM 2008

Compared to other studies of the Omani stock market, Al-Raisi and Pattanaik (2006) and Elango and Hussein (2006), which used only the daily values of the MSM30 index, the present study uses both market index values and the returns from individual firms, on both a daily and a weekly basis, in order to test market efficiency.

$$R^t = \text{In}(P^t) - \text{In}(P^{t-1}) = \text{In}(P^t / P^{t-1}) \qquad (4.1)$$

Where R^t is the daily observed returns, or the weekly observed returns and P^t and P^{t-1} are the share prices at days, t and t-1.

It was noted in Section 2, that most of the emerging stock markets are characterized by infrequent trading. Also, a number of studies such as Lo and MacKinlay (1990) and Miller et al. (1994) have shown that thin trading may affect the reliability of market-efficiency tests. Therefore, a methodology estimated by Miller et al. (1994) has been adapted in this research to account for the possibility of thin trading in the MSM. The model used by Miller et al. (1994) can be represented as follows:

Variables Used and Correcting for Thin Trading

All the data are obtained from the MSM website and missing data were obtained from FINCORP[5]. The daily and weekly prices are transformed to natural logarithmic form, in order to ensure continuous time series compounded returns. Hence, the following formula is used below, to calculate the observed returns:

$$R_t = \alpha_0 + \alpha_1 R_{t-1} + \varepsilon_t \qquad (4.2)$$

They used the errors (ε_t) in equation (4.2) to correct returns for thin trading as follows:

$$R_t^{cort} = \frac{\varepsilon_t}{1-\alpha_1} \qquad (4.3)$$

Where, R_t^{Cort} is the corrected return.

Methodology

The paper uses both parametric and non-parametric statistical techniques to test for weak-form efficiency of the Omani securities market. First, the parametric serial correlation tests are used to test whether a particular stock return on a given day is independent of past stock returns. The non-parametric runs test is then used to test the randomness of the data. In addition, the variance-ratio test is also used. The descriptive statistics in Table 4.2 suggest that the runs test is more suitable than the serial correlation test, since all variables are not normally distributed, as indicated by the Jarque-Bera statistic[6].

Results and Discussions

Serial Correlation Tests

Serial correlation tests with 12 lags were used for the daily and weekly returns of the MSM30 stock index and the five blue-chips firms in the market to examine the weak-form EMH for the Omani securities exchange. Tables 5.1, 5.2, 5.3 and 5.4 summarise the results of the serial correlation tests, respectively.

Daily Return Data

First, table 5.1 displays the results of the serial correlation tests for the observed daily returns on all variables. Some of the serial correlation coefficients (ρk) results suggest weak-form inefficiency since they are significant at the two standard error limits for some lags. For example, the serial correlation coefficients of the MSM30 index are significant for the 1st, 2nd, 4th, 5th, 6th, 7th

Table 4.2: Results of normality test

Variable	MSM30	BKMB	NBOB	RCCI	OTEL	RNSS
Daily return						
Observation	1243	1243	1243	1243	601	601
Skewness	.392	-.221	.29	-.035	.957	.319
Kurtosis	3.586	611.85	28.034	304.944	24.795	2.968
Jarque-Bera	49.61*	15446*	32475*	4721862*	11987*	10.2*
Weekly returns						
Observation	259	259	259	259	127	127
Skewness	.629	.161	.612	1.074	.454	-.158
Kurtosis	7.149	3.062	108.781	48.117	28.044	10.084
Jarque-Bera	202.8*	1.1604	120770*	22016.7*	3323.3*	266*

*reject the null hypothesis of normality at the 5% significance level.

and 10th lags at the two standard error limit of ±.028[8] and the RNSS are significant for the 1st, 2nd, 8th and 9th lags at the two standard error limit of ±.041.

Moreover, the findings of the Ljung-Box test (Q^{LB}) show that the serial correlation coefficients for most of the lags are significant at the 5% level[9] for all variables except the NBOB. To sum up, both statistical tests before correcting for thin trading reject the weak-form EMH for the Omani stock exchange.

Weekly Return Data

Table 5.3 presents the findings of the serial correlation tests for the weekly observed returns. The results are similar to those obtained using the daily observed returns but with less pronounced evidence of efficiency. The weekly observed returns for all variables except OTEL are significant at two standard error limits for some lags. Specifically, the MSM30 index, BKMB, NBOB and RNSS are only significant for the 1st lag, whereas RCCI is significant for the 2nd, 3rd and 12th lags. Moreover, when using the Ljung-Box test (Q^{LB}), the null hypothesis of randomness for all variables is rejected, except for OTEL, since they are significant at the 5% level for most of the lags. Furthermore, after correcting weekly data for thin trading, as reported in Table 5.4, the majority of variables still reject weak-form efficiency. Based on the serial correlation coefficient, the weekly corrected returns of the MSM30 index, BKMB, NBOB and RCCI are significant at the 5% level for the 2nd lag. In addition, based on the Ljung-Box test (Q^{LB}), all variables except OTEL and RNSS are significant at the 5% level.

Overall, the MSM30 index, BKMB, NBOB and RCCI reject the null hypothesis of randomness of weekly returns data before and after correcting for infrequent trading. Since these variables represent the majority of the Omani securities market, it might be concluded that the market is not weak-form efficient, based on weekly returns data.

Runs Test Results

A nonparametric statistical test, namely the runs test, was used to test the weak-form efficiency of the Omani stock exchange. As noted earlier in chapter 4, the runs test is more appropriate than the serial correlation test since the daily and weekly returns data are not normally distributed, as revealed by the Jarque-Bera test (see Table 4.2). Table 5.5 and 5.6 report the results of the runs test for both the daily and weekly returns data.

Daily Returns Data

As can be seen in panel A for the observed returns, weak-form efficiency is rejected in the Omani stock exchange since the z-values of the runs test for all variables are greater

than the ±1.96 critical value at the 5% level. The negative z-values indicate that the daily returns for all variables have a positive serial correlation because the expected numbers of runs (E(R)) are greater than the actual number of runs (R).

Moreover, panel B of Table 5.3 reports the results of the runs tests after correcting daily data for infrequent trading. It is clear that the majority of variables (except OTEL and RNSS) still reject the null hypothesis that successive returns in the Omani stock exchange are not independent at the 5% level.

Weekly Returns Data

Observed and corrected weekly returns results are reported in Table 5.8. In contrast to the daily observed returns, the variance ratio tests for the weekly observed returns for all variables (except RCCI and OTEL) reject the null hypothesis of the random walk. For instance the MSM30 index, BKMB, NBOB and RNSS are significant at 5% level for almost every lags under the heteroscedasticity assumption (Z*(q)), while under the homoscedasticity assumption (Z(q)) the same variables are significant at different lags at the 5% level.

However, OTEL and RNSS are independent at the 5% level. Overall, the weekly returns data reject weak-form efficiency in the Omani stock market using the runs test statistical technique.

Variance Ratio Tests

To test the random walk hypothesis (RWH) in the Omani securities market, the variance ratio test was also used. The variance ratio test is performed for lags q of 2, 4, 8, 16 and 32 observations for each variable. Table 5.7 and 5.8 report the findings of the variance ratio test for the daily and weekly returns, respectively.

Daily Returns Data

In panel A for the observed returns, the variance ratio test indicates that the MSM30 index, BMKB and RCCI under both assumptions of heteroscedasticity and homoscedasticity reject the null hypothesis of a random walk for all lags. This is because Z*(q) and Z(q) are greater than the critical value of ±1.96 at the 5% level. Additionally, RNSS and OTEL are only significant for a 2nd lag under the heteroscedasticity assumption. However, under the homoscedasticity assumption RNSS is significant at the 2nd, 4th and 32nd lags, whereas OTEL is not significant under the same assumption. Finally, NBOB is not significant under both assumptions.

Weekly Returns Data

Observed and corrected weekly returns results are reported in Table 5.8. In contrast to the daily observed returns, the variance ratio tests for the weekly observed returns for all variables (except RCCI and OTEL) reject the null hypothesis of the random walk. For instance the MSM30 index, BKMB, NBOB and RNSS are significant at 5% level for almost every lags under the heteroscedasticity assumption (Z*(q)), while under the homoscedasticity assumption (Z(q)) the same variables are significant at different lags at the 5% level.

The majority of variables after correction, shown in panel B, do not reject the random walk hypothesis. However, the general index and the second highest weight in the index (BKMB) still reject the same hypothesis. Overall, the random walk hypothesis for weekly corrected returns is rejected.

Conclusion

The results from the three statistical techniques reject the hypothesis of weak-form efficiency in the Omani stock market. First, the serial correlation test results reject the weak-form efficiency hypothesis, for both daily and weekly observed returns of the MSM30 index and the other stocks (except OTEL for the weekly data). Even after correcting the majority of the variables

for thin trading, the hypothesis of weak-form efficiency is still rejected. Furthermore, the runs test results for both daily observed and corrected returns, and for both weekly observed and corrected returns, provide a strong indication that weak-form efficiency is not exhibited in the market. Finally, before correcting for thin trading, the variance ratio tests for the daily and weekly returns indicate that most variables reject weak-form efficiency. However, after correcting for thin trading, the majority of variables fail to reject the hypothesis based on the daily returns, but the weekly returns still reject the hypothesis. To sum up, it is evident that the Omani stock market fails to support weak-form efficiency. In other words, the Omani stock market is informationally inefficient (with respect to past price information).

In the future, the Omani stock market could be made more informationally efficient, by improving transparency and ensuring that all investors can obtain information with greater ease and this information could also be made more reliable. Additionally, in order to develop market efficiency, both regulators and brokerage firms could improve the quality of investment analysis and of investment advice. Further studies of the MSM are recommended. Such studies should take into account liquidity problems and thin trading. Also, further studies of market efficiency in Oman should use data on individual stocks over longer time periods, in order to improve the robustness of the results.

Table 5.1: Findings of the daily observed returns according to the serial correlation tests

Lag	MSM30		BKMB		NBOB		RCCI		OTEL		RNSS	
	ρ_k	Q_{LB}	P_k	Q_{LB}	ρ_k	Q_{LB}	P_k	Q_{LB}	ρ_k	Q_{LB}	ρ_k	Q_{LB}
1	.334**	139.22*	-.494*	303.97*	.012	.193	-.269**	90.315*	.092**	5.102	.155**	14.560*
2	.040**	141.26*	.000	303.97*	.032**	1.485	.018	90.723*	-.072**	8.269	-.047**	15.895*
3	-.017	141.62*	-.002	303.98*	.033**	2.836	-.010	90.843*	-.139**	19.894*	-.027	16.327*
4	.032**	142.89*	.002	303.98*	-.003	2.849	-.001	90.845*	-.028	20.357*	-.037	17.180*
5	.100**	155.28*	.000	303.98*	-.006	2.892	-.014	91.087*	.045**	21.578*	-.003	17.185*
6	.100**	167.71*	-.004	304.01*	-.001	2.894	-.003	91.099*	-.012	21.673*	-.029	17.715*
7	.093**	178.44*	.005	304.04*	.014	3.129	.035**	92.598*	.070**	24.664*	.020	17.952*
8	.013	178.67*	-.001	304.05*	-.042**	5.380	-.002	92.604*	.038	25.567*	.097**	23.689*
9	.020	179.18*	.000	304.05*	-.011	5.529	-.019	93.060*	-.031	26.167*	.089**	28.517*
10	-.033**	180.57*	.000	304.05*	-.033**	6.882	-.006	93.100*	.007	26.193*	.038	29.393*
11	-.012	180.76*	.001	304.05*	-.047**	9.653	-.011	93.261*	.061**	28.468*	.010	29.453*
12	.012	180.96*	.000	304.05*	-.054**	13.359	.010	93.374*	.027	28.910*	-.031	30.036*

* Significant at the 5% level according to chi-squared distribution table

** Significant at two standard error limits

Note: standard error for the first three variables is .028 and the other two is .04

Table 5.2: Findings of the daily corrected returns according to the serial correlation tests

Lag	MSM30		BKMB		NBOB		RCCI		OTEL		RNSS	
	ρ_k	Q_{LB}	P_k	Q_{LB}	ρ_k	Q_{LB}	P_k	Q_{LB}	P_k	Q_{LB}	P_k	Q_{LB}
1	.027	.936	-.496**	305.72*	.000	.000	-.016	.309	.007	.033	.014	.123
2	-.068**	6.721	-.001	305.72*	.032	1.247	-.060**	4.802	-.069	2.915	-.069	3.017
3	-.048	9.577	-.001	305.72*	.032	2.563	-.006	4.853	-.131**	13.336*	-.017	3.185
4	.011	9.726*	.002	305.73*	-.004	2.579	-.008	4.941	-.019	13.558*	-.033	3.839
5	.075**	16.740*	.000	305.73*	-.006	2.622	-.017	5.319	.049	15.002*	.003	3.844
6	.051	20.018*	-.004	305.75*	-.001	2.624	.002	5.326	-.024	15.347*	-.044	5.043
7	.074**	26.833*	.003	305.76*	.014	2.878	.038	7.178	.068	18.174*	.005	5.058
8	-.026	27.690*	-.001	305.76*	-.042	5.128	.002	7.183	.036	18.954*	.087	9.711
9	.033	29.044*	.001	305.76*	-.010	5.253	-.024	7.923	-.036	19.732*	.065	12.316
10	-.045	31.550*	.000	305.76*	-.032	6.548	-.015	8.214	.004	19.742*	.024	12.661
11	-.005	31.587*	.001	305.77*	-.046	9.195	-.012	8.399	.059	21.868*	.019	12.875
12	.017	31.957*	.000	305.77*	-.052	12.652	.004	8.423	.019	22.092*	-.028	13.368

* Significant at the 5% level according to chi-squared distribution table

** Significant at two standard error limits

Note: standard error for the first three variables is .028 and the other two is .04

Table 5.3: Findings of the weekly observed returns according to the serial correlation tests

Lag	MSM30		BKMB		NBOB		RCCI		OTEL		RNSS	
	ρ_k	Q_{LB}	P_k	Q_{LB}	ρ_k	Q_{LB}	P_k	Q_{LB}	P_k	Q_{LB}	ρ_k	Q_{LB}
1	-.456**	54.546*	-.454**	54.010*	-.24**	16.093*	-.024	.148	.061	.478	.178**	4.102*
2	.024	54.696*	.005	54.016*	-.091	18.253*	-.14**	5.700	-.001	.478	.079	4.913
3	-.004	54.699*	-.019	54.114*	.006	18.262*	.168**	13.147*	.167	4.156	.149	7.865*
4	-.002	54.701*	.047	54.692*	.024	18.413*	.000	13.147*	-.005	4.159	.097	9.123
5	.000	54.701*	.005	54.700*	.048	19.024*	.045	13.696*	-.001	4.159	.009	9.134
6	.039	55.100*	-.004	54.704*	-.030	19.271*	.044	14.224*	-.050	4.496	.039	9.342
7	-.009	55.124*	-.021	54.826*	-.075	20.795*	-.063	15.281*	-.121	6.502	.087	10.368
8	.012	55.163*	-.004	54.830*	-.030	21.045*	-.020	15.386	-.038	6.703	-.034	10.526
9	-.016	55.229*	-.035	55.166*	-.027	21.240*	.106	18.433*	-.097	8.001	.066	11.138
10	-.016	55.299*	.066	56.336*	.092	23.539*	-.024	18.584*	-.055	8.422	.096	12.437
11	.005	55.307*	-.027	56.534*	-.002	23.541*	-.087	20.644*	-.045	8.711	.021	12.500
12	.041	55.762*	-.059	57.485*	.016	23.608*	.122**	24.731*	.017	8.750	.165	16.386

* Significant at the 5% level according to chi-squared distribution table

** Significant at two standard error limits

Note: standard error for the first three variables is .062 and the other two is .088

Table 5.4: Findings of the weekly corrected returns according to the serial correlation tests.

Lag	MSM30		BKMB		NBOB		RCCI		OTEL		RNSS	
	ρ_k	Q_{LB}	P_k	Q_{LB}	ρ_k	Q_{LB}	P_k	Q_{LB}	P_k	Q_{LB}	ρ_k	Q_{LB}
1	-.106	2.946	-.115	3.451	-.040	.423	-.003	.003	.002	.001	.002	.001
2	-.228**	16.589*	-.263**	21.598*	-.16**	7.695*	-.141**	5.193	-.020	.051	-.053	.372
3	.007	16.603*	.000	21.598*	-.011	7.727	.165**	12.346*	.167	3.724	.139	2.891
4	-.006	16.613*	.063	22.643*	.041	8.175	.006	12.354*	-.013	3.748	.069	3.525
5	.020	16.718*	.032	22.921*	.052	8.904	.047	12.932*	.002	3.749	-.034	3.677
6	.053	17.470*	-.015	22.984*	-.042	9.365	.044	13.437*	-.042	3.981	.054	4.065
7	.015	17.530*	-.037	23.347*	-.101	12.089	-.062	14.469*	-.117	5.830	.043	4.321
8	.004	17.535*	-.038	23.737*	-.062	13.105	-.019	14.565	-.021	5.890	-.063	4.861
9	-.026	17.719*	-.018	23.826*	-.013	13.153	.105	17.546*	-.093	7.070	.045	5.141
10	-.030	17.964	.064	24.940*	.097	15.682	-.023	17.692	-.036	7.248	.029	5.261
11	.023	18.105	-.037	25.314*	.026	15.865	-.084	19.631	-.033	7.403	-.038	5.468
12	.072	19.520	-.069	26.618*	.016	15.935	.121	23.640*	.020	7.459	.133	7.980

* Significant at the 5% level according to chi-squared distribution table

** Significant at two standard error limits

Note: standard error for the first three variables is .062 and the other two is .088

Table 5.5: findings of the daily returns according to the runs test

Variable	N	R	E(R)	σ (R)	Z-value
Panel A: observed returns					
MSM30	1243	440	619.313	17.53	-10.229*
BKMB	1243	470	602.496	17.053	-7.770*
NBOB	1243	465	584.092	16.53	-7.204*
RCCI	1243	394	549.843	15.56	-10.016*
OTEL	601	261	298.604	12.13	-3.100*
RNSS	601	253	297.54	12.08	-3.685*
Panel B: corrected returns					
MSM30	1242	571	618.74	17.52	-2.725*
BKMB	1242	548	619.91	17.55	-4.097*
NBOB	1242	466	583.81	16.53	-7.127*
RCCI	1242	317	568.07	16.08	-15.611*
OTEL	600	277	298.91	147.67	-1.804
RNSS	600	316	299.8	148.55	1.329

*Significant at the 5% level (±1.96)

Table 5.6: findings of the weekly return according to the runs test

Variable	N	R	E(R)	σ (R)	Z-value
Panel A: observed returns					
MSM30	259	87	127.56	7.85	-5.16*
BKMB	259	99	127.85	7.86	-3.6*
NBOB	259	99	125.86	7.74	-3.4*
RCCI	259	103	121.83	7.49	-2.5*
OTEL	127	63	63.08	5.48	-0.014
RNSS	127	56	64.49	5.61	-1.51
Panel B: corrected returns					
MSM30	258	75	127.48	7.86	-6.68*
BKMB	258	78	126.58	7.8	-6.2*
NBOB	258	85	124.76	7.68	-5.17*
RCCI	258	101	121.56	7.48	-2.74*
OTEL	126	66	62.41	5.44	0.65
RNSS	126	67	63.93	5.58	.55

*Significant at the 5% level (±1.96)

Table 5.7: Findings of the daily returns using the variance ratio tests

			Holding Period of q days				
Variables	nq		2	4	8	16	32
Panel A: daily observed return							
MSM30	1243	VR(q)	1.33	1.54	1.82	2.137	2.43
		Z*(q)	10.38*	7.76*	6.6*	5.25*	3.82*
		Z(q)	11.83*	10.17*	9.8*	9.11*	7.92*
BMKB	1243	VR(q)	0.507	0.25	0.134	0.072	0.042
		Z*(q)	-14.19*	-9.97*	-6.93*	-4.86*	-3.43*
		Z(q)	-17.38*	-13.96*	-10.3*	-7.4*	-5.3*
NBOB	1243	VR(q)	1.013	1.07	1.12	0.98	1.02
		Z*(q)	0.425	1.104	1.095	-0.07	.099
		Z(q)	0.47	1.34	1.4	-0.09	0.136
RCCI	1243	VR(q)	0.73	0.612	0.54	0.507	0.58
		Z*(q)	-7.72*	-5.22*	-3.64*	-2.58*	-1.99*
		Z(q)	-9.45*	-7.3*	-5.42*	-3.94*	-2.3*
OTEL	601	VR(q)	1.09	0.97	0.86	0.99	1.13
		Z*(q)	1.91	-0.26	-0.74	-0.009	0.29
		Z(q)	2.33*	-0.37	-1.13	-0.016	0.516
RNSS	601	VR(q)	1.15	1.18	1.14	1.34	1.74
		Z*(q)	3.42*	1.84	0.76	1.09	1.44
		Z(q)	3.88*	2.38*	1.15	1.89	2.86*

Panel B: daily corrected return							
MSM30	1242	VR(q)	1.029	0.95	1.008	1.118	1.25
		Z*(q)	0.912	-0.692	0.069	0.59	0.75
		Z(q)	1.024	-0.874	0.096	0.947	1.38
BMKB	1242	VR(q)	0.505	0.255	0.131	0.068	0.037
		Z*(q)	-14.23*	-10.01*	-6.95*	-4.87*	-3.44*
		Z(q)	-17.43*	-14.01*	-10.34*	-7.46*	-5.316*
NBOB	1242	VR(q)	1.0005	1.05	1.094	0.965	1.001
		Z*(q)	0.016	0.794	0.86	-0.208	0.0058
		Z(q)	0.0184	0.966	1.12	-0.27	0.0079
RCCI	1242	VR(q)	0.98	0.917	0.87	0.847	0.997
		Z*(q)	-0.41	-1.117	-1.009	-0.792	-0.009
		Z(q)	-0.499	-1.55	-1.5	-1.22	-0.014
OTEL	1242	VR(q)	1.01	0.86	0.74	0.84	0.95
		Z*(q)	0.216	-1.35	-1.45	-0.55	-0.117
		Z(q)	0.26	-1.85	-2.17*	-0.89	-0.196
RNSS	1242	VR(q)	1.017	0.95	0.86	0.98	1.24
		Z*(q)	0.37	-0.504	-0.77	-0.066	0.49
		Z(q)	0.42	-0.63	-1.118	-0.108	0.93

* significant at the 5% level

Table 5.8: Findings of the weekly returns using the variance ratio tests

			Holding Period of q days				
Variables	N		2	4	8	16	32
			Panel A: weekly observed return				
MSM30		VR(q)	0.54	0.345	0.258	0.235	0.178
		Z(q)	-5.95*	-4.03*	-2.7*	-1.86	-1.4
		Z*(q)	-7.27*	-5.63*	-4.03*	-2.79*	-2.07*
BMKB		VR(q)	0.55	0.32	0.24	0.17	0.107
		Z(q)	-5.92*	-4.2*	-2.83*	-2.05*	-1.6
		Z*(q)	-7.22*	-5.83*	-4.12*	-3.01*	-2.24*
NBOB		VR(q)	0.74	0.55	0.486	0.423	0.414
		Z(q)	-3.21*	-2.79*	-1.91	-1.42	-1.004
		Z*(q)	-3.88*	-3.83*	-2.78*	-2.10*	-1.47
RCCI		VR(q)	0.98	0.92	1.038	1.16	0.845
		Z(q)	-0.24	-0.54	0.14	0.347	-0.183
		Z*(q)	-0.265	-0.67	0.206	0.605	-0.388
OTEL		VR(q)	1.036	1.208	1.382	1.001	1.19
		Z(q)	0.382	1.102	1.22	0.0025	0.216
		Z*(q)	0.408	1.25	1.455	0.0034	0.341
RNSS		VR(q)	1.148	1.343	1.647	1.972	2.404
		Z(q)	1.728	2.053*	2.23*	2.001*	1.79
		Z*(q)	1.67	2.06*	2.46*	2.49*	2.48*
			Panel B: weekly corrected return				
MSM30		VR(q)	0.9	0.63	0.54	0.546	0.45
		Z(q)	-1.41	-2.49*	-1.81	-1.17	-0.98
		Z*(q)	-1.59	-3.18*	-2.49*	-1.65	-1.38
BMKB		VR(q)	0.89	0.57	0.484	0.387	0.241
		Z(q)	-1.526	-2.81*	-1.98*	-1.54	-1.36
		Z*(q)	-1.736	-3.67*	-2.79*	-2.23*	-1.91
NBOB		VR(q)	0.967	0.785	0.734	0.667	0.672
		Z(q)	-0.45	-1.38	-1.018	-0.835	-0.564
		Z*(q)	-0.526	-1.845	-1.44	-1.21	-0.82
RCCI		VR(q)	1.004	0.95	1.081	1.22	0.885
		Z(q)	0.054	-0.32	0.301	0.45	-0.136
		Z*(q)	0.06	-0.4	0.44	0.797	-0.29
OTEL		VR(q)	0.97	1.092	1.232	0.84	1.023
		Z(q)	-0.289	0.489	0.735	-0.287	0.025
		Z*(q)	-0.31	0.558	0.88	-0.398	0.04
RNSS		VR(q)	1.01	1.01	1.21	1.34	1.56
		Z(q)	0.105	0.098	0.832	0.832	0.874
		Z*(q)	0.1	0.093	0.815	0.88	0.99

*significant at the 5% level

Footnotes:

1. See: http://www.e-m-h.org/introduction.html
2. Oman is a part of the Gulf Co-operation Council's (GCC) market integrity which also include Kuwait, Qatar, UAE, Saudi Arabian, and Bahrain
3. The MSM website, 2008
4. A study of the Kuwait Stock Market, which has almost the same characteristics of the MSM. However this issue needs more investigation in the future.
5. Brokerage and asset management firm in Oman
6. Calculated as follows:

$$JB = \frac{NS^2}{6} + \frac{(K-3)}{4}$$

Where, S is skewness, K is kurtosis and N is number of observations (Squalli, 2005: 7)

7. All equations in this section are based on (Squalli, 2005:6) and (Abraham et al. , 2002: 472)
8. See table 5.1
9. According to the chi-squared distribution table

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"Anything that is wasted effort represents wasted time. The best management of our time thus becomes linked inseparably with the best utilization of our efforts."

-Ted W. Engstrom

GROWTH MOVEMENT OF DEPOSITS IN INDIAN OVERSEAS BANK IN INDIA

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Abstract

Deposits are the lifeblood of commercial banks. They are the mainstay of bank funds and account for about 98 per cent of bank liabilities. Deposits of a commercial bank may be the result of the type of services offered. Deposits are higher during the prosperity phase than in periods of recession and depression. Growth of Deposit is a very important function of the bank. Today Growth of Deposits has become extremely difficult due to stiff competition posed by other institutions. Bank officers / managers have to play a great role in motivating customers to deposit in the nationalized banks by conducting campaigns at the village level and educating them about the advantage of nationalized banks at the grass root level. The IOB offered the following types of deposits they are as follows, Saving deposit A/c, Fixed deposit A/c, Recurring (or) Cumulative deposit A/c, Current deposit A/c, Cash Certificates, Annuity or Retirement Schemes, Farmers Deposit Schemes ,Daily Savings Schemes ,Minor's Savings Schemes, Marriage/Educational Savings Plan, Insurance-Linked Savings Bank Accounts, Housing Deposit Schemes, Salary Reserve Schemes. This study is needed to resolve the following problems. (1)What are the difficulties faced by the Indian Overseas Bank to Growth of its Deposit? (2)How to growth its deposits in Indian Overseas Bank? This study based on following Objectives (1) To analyze the growth rate of deposits (2) To study the deposit trend of Indian Overseas Bank (3) To offer suggestion, for improving the performance of the bank. This study confines itself to the issues relating to the growth movement of Deposits of the Bank, with regard to its growth, profitability and liquidity and the impact on various factors of its growth movement. The performance of growth movements of deposits in IOB is satisfactory during the study period. The analysis is highlighted the good performance of IOB.

Key Words: commercial bank, IOB, types of deposits.

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Introduction

Deposits are the lifeblood of commercial banks. They are the mainstay of bank funds and account for about 98 per cent of bank liabilities. Deposits of a commercial bank may be the result of the type of services offered. Deposits are higher during the prosperity phase than in periods of recession and depression. The other activities of the bank are chiefly dependent upon the deposits mobilization of resources from an integral part of the development process in India. In the process of mobilization banks are at a great advantage. Deposit mobilization by banks in India acquired greater significance in their new role in economic development and their growing obligations in the socio-economic field, with due emphasis on the 20 point economic programme and rural development. Deposit mobilization is a challenge to all development banking institutions in India including commercial banks.

Types of deposits.

The IOB offered the following types of deposits they are as follows, Saving deposit A/c, Fixed deposit A/c, Recurring (or) Cumulative deposit A/c, Current deposit A/c, Cash Certificates, Annuity or Retirement Schemes ,Farmers Deposit Schemes ,Daily Savings Schemes ,Minor's Savings Schemes, Marriage/Educational Savings Plan, Insurance-Linked Savings Bank Accounts, Housing Deposit Schemes, Salary Reserve Schemes.

Deposit schemes for NRIS

In order to mobilize savings of large number of Indian citizens and aliens of Indian origin, the government of India offered them certain incentives to remit money to India for investment. As a result of these incentives, the banks in our country operate the following types of schemes.

1. Non-Resident (External) Rupee A/C (NRE)
2. Foreign Currency Non-Resident A/C (FCNR)
3. Non-Resident Ordinary A/C (NRO)
4. Foreign Currency (Ordinary) Non-Repatriable Deposit Scheme
5. Non-Resident (Non-Repatriable) Rupee Deposit Scheme (NRCNR)

Saving bank deposits

These deposits are mostly of small amounts and are accepted by banks to encourage persons of small means to make savings. Frequent withdrawals are not allowed and interest is generally allowed on monthly balances.

Fixed deposit account

The term "Fixed Deposit" means deposit repayable only after the expiry of a specific period. Hence it is also known as "Time Deposit". The rate of interest payable under this type of deposit accounts also depends upon the length of the time of deposit. This type of account is more advantageous because the banks need not keep ready cash till the amount in this account fall due.

Current account

Current accounts also know as demand deposit account. It is a running and active account, which can be opened normally by business people by making initial deposit of Rs.1000/-. The amount in this account can be withdrawn by drawing cheque and there is no restriction on the number of withdrawals. As the banker is under obligation to repay these deposits on demand, the banker has to

keep sufficient cash reserves against such deposits. Hence current accounts are suited to the requirements of businessmen, commercial and industrial organizations.

Highlights of job

- Bank with 73 years of existence.
- The bank has large network of branches spread throughout the country that many enable it to raise funds competitively
- The bank has also opened specialized branches to cater to the needs of industrial finance, trade finance, personal banking, international banking, NRIs and small-scale industries.

Statement of the problem

Indian Overseas Bank is organized on a joint stock company basis primarily for the purpose of earning profit and rendering valuable services. It is the branch banking type, with large network of branches and operates under their head offices. Even though the bank has achieved tremendous growth in various fields, it has also confronted with the problems to mobilize the deposits. This study is needed to resolve the following problems.

i) What are the difficulties faced by the Indian Overseas Bank to growth of its Deposits?

ii) How to growth its deposits in Indian Overseas Bank?

Objectives of the study

The following are the main objectives of the study

i) To analyze the growth rate of deposits

ii) To study the deposit movement of Indian Overseas Bank

iii) To offer suggestion, for improving the performance of the bank.

Scope of the study

This study confines itself to the issues relating to the growth movements of deposits in the Bank with regard to its growth, factors of its Growth movement of deposits. The findings may be helpful for the bank to improve their performance in future.

Limitations of the study

Based on the objectives, the study is prone to certain limitations:

1. The sources of data used is secondary and the statistical tools used in the study are subject to inherent limitations
2. The deposits obtained are restricted to ten years, so the deposit movements of the bank was not making in depth.
3. The confidential data were not disclosed

Methodology

This study has examined the growth movements of deposits of Indian Overseas Bank in India, from 1996-1997 to 2005-2006.

Sources of data

To accomplish the objectives of the study, secondary data were used. It has been collected from bank records, published and unpublished financial reports, journals, magazines, and websites.

Data analysis

The growth movements of deposits of Indian Overseas Bank were analyzed for the period of ten years from 1996-97 to 2005-06 with the help of the following tools.

1) Growth rate

2) Trend Analysis

3) Chi-Square Test

Review of literature

Bilgrimi (1980) has done a study on "Growth of public sector – a Regional growth analysis". He indicates that the banking imbalances over a decade since nationalization in branch expansion, deposit mobilization, credit disbursement and priority sector lending there study conclude that: (i) the rapid expansion of branch banks since 1969 has substantially increased the average number of bank branches per million population in all regions, but such expansion could not actually help in eliminating the wide variations between backward and developed regions which were above national average population served by bank in 1969, recorded mare progress than the regions that were below national average. Similar trends also emerged in case of deposit, credits and priority sector.

Bhattacharyay (1985) has made a study on the regional performance or banks with respect to the behavior of bank deposits and its components of the study are

(i) There is a significant inter-state disparity in the growth of total deposits, fixed deposits, saving deposits over the period of study

(ii) Inter state disparity of distribution of total deposits has been decreasing over the period under study.

(iii) Growth of saving and total deposits is very stable in all states. There is an inter state and intra state disparity in the stability of growth for different components of deposits.

Arulanandan N.A and Namasivavam N. (1987) conducted a study on "Deposit mobilization by central co-operative banks-A challenging Task". In their study they say it is a complete enumeration of all the central co-operative banks in Tamilnadu and focused attention mainly on deposit mobilization. An important observation of the study was that the opening of the branches had help in large measure the increase of deposit base of central co-operative banks substantially promoting the habit of saving among people.

Jadhav and Ajit (1996) in their study on "The Role of Banks in Economic Development of India" analyzed the role of banks in economic development of India during the last five decades. It is observed that despite the overall progress made by banking system in terms of functional and geographical coverage doubts arise about the viability of the banking system in the coming period. Though financial sector reforms have enabled banks in India to clear their balance sheets and improve their functioning yet they face challenges especially in the financial services like leasing, merchant banking, mutual funds, and money market and in government securities.

De, Biman chandra's (2001) study on "Deposit mobilization All India scheduled commercial banks" he reveal that the gross domestic product and the level of profitability influence the deposits of commercial banks significantly. It further revealed that unwise expansion of branches simply with a view to spreading the banking facilities had an unfavorable impact on the volume of time deposits and on the profitability of the scheduled commercial banks. It was observed that the reduction in interest rate on term deposits would definitely affect the volume of term deposits adversely in the coming period on account of increased competition from non-banking financial institutions.

Dr.Yadav B.S. and Kaynattabassum (2006) in their study on "Deposit mobilization by central cooperative banks in Haryana State", suggest the total deposit mobilization in all central cooperative banks was not too much satisfactory during the period under the study because the deposit registered a less than

increasing trend in comparison to owned funds and total assets.

Analysis and interpretation of enlargement of deposits in job

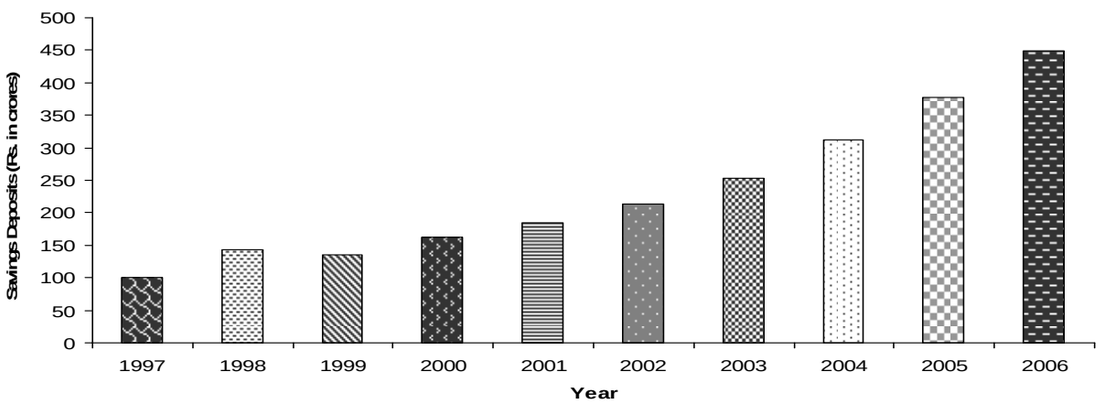
This part of the study is analysis and interpretation of growth movements of deposits in Indian Overseas Bank. The purpose of analyzing the data is to dig out the information, which is useful for making decisions. The methods used in analyzing the data are presented in tabular form. The last stage in statistical investigation is interpretation i.e drawing conclusions from the data collected and analyzed. Correct interpretation will lead to a valid conclusion of the study and this can be useful in taking suitable decisions.

I. **Calculation of growth rate of deposits savings deposit**
Table-4.1

YEAR	Saving Deposit (Rs. in crores)	Growth Rate %
1997	3214	100
1998	4625	144
1999	4331	135
2000	5211	162
2001	5931	184
2002	6878	213
2003	8162	253
2004	10071	312
2005	12190	378
2006	14468	449

Table 4.1 indicates that the amount of savings deposit and its growth rate for the period of ten years from 1996-1997 to 2005-2006 is found to be increasing. The growth rates given in the table are calculated by taking 1997 as the base year. The highest growth rate is recorded in the year 2005-2006 i.e., 449%.

CHART NO. 4.1
SAVING DEPOSITS - GROWTH RATE



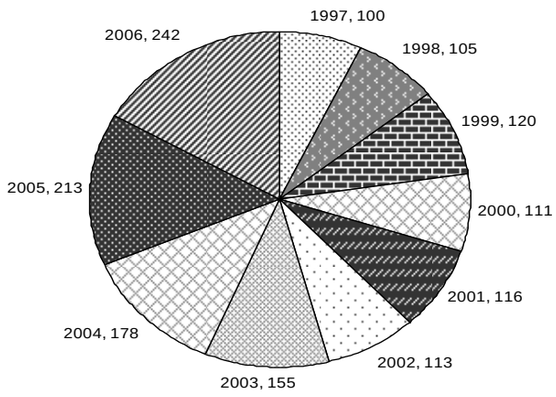
Demand deposits

Table -4.2

YEAR	Demand Deposit (Rs. in crores)	Growth Rate %
1997	2339	100
1998	2467	105
1999	2830	120
2000	2607	111
2001	2720	116
2002	2658	113
2003	3636	155
2004	4185	178
2005	5011	213
2006	5700	242

Table 4.2 shows that the amount of demand deposit and its growth rate for the period of ten years from 1996-1997 to 2005-2006 are found to be increasing. The growth rates given in the table are calculated by taking 1997 as the base year. The highest growth rate is recorded in the year 2005-2006 i.e., 242%.

CHART NO. 4.2
DEMAND DEPOSIT - GROWTH RATE



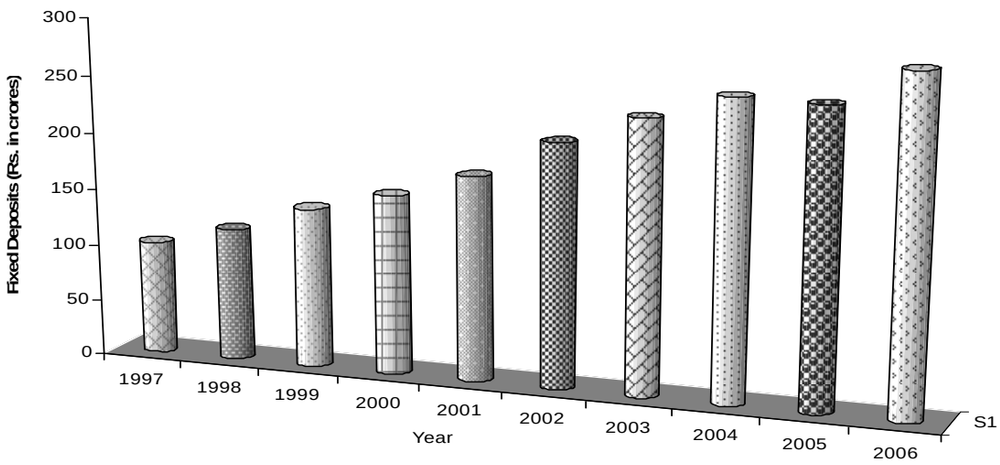
Fixed deposits

Table – 4.3

YEAR	Fixed Deposit (Rs. in crores)	Growth Rate %
1997	10419	100
1998	12235	117
1999	14752	141
2000	16498	158
2001	18762	180
2002	22271	214
2003	24899	239
2004	27225	261
2005	27039	259
2006	30360	291

Table 4.3 reveals that the amount of fixed deposit and its growth rate for the period of ten years from 1996-1997 to 2005-2006 is found to be increasing. The growth rates given in the table are calculated taking 1997 as the base year. The highest growth rate is recorded in the year 2005-2006 i.e., 291%.

CHART NO. 4.3
FIXED DEPOSITS - GROWTH RATE



II. Calculation of trend value

Table – 4.4

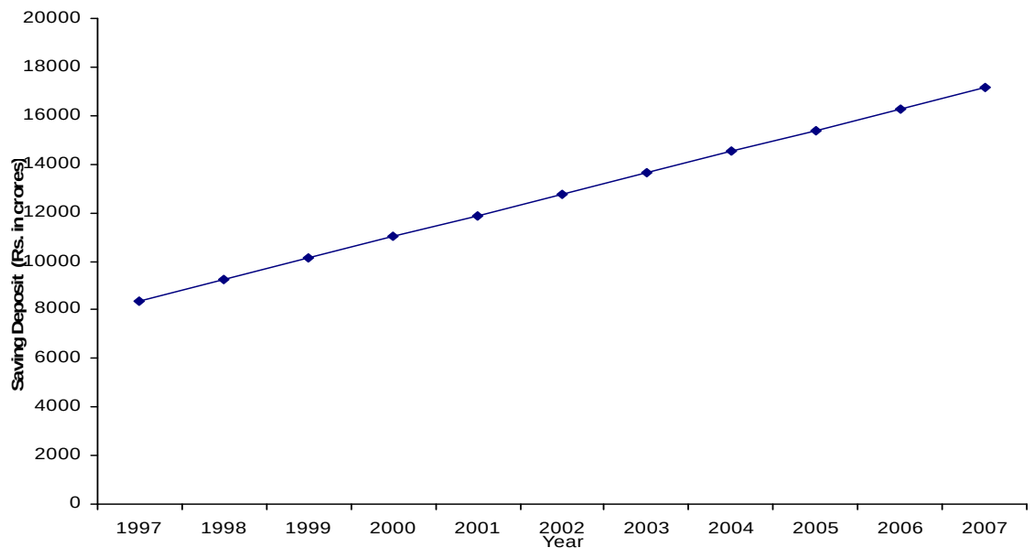
YEAR	Saving Deposit (Rs. in crores)	Trend Value (Rs. in crores)
1997	3214	8384
1998	4625	9260
1999	4331	10136
2000	5211	11012
2001	5931	11888
2002	6878	12764
2003	8162	13640
2004	10071	14516
2005	12190	15392
2006	14468	16268
2007	Estimated year	17144

Table 4.4 shows that the trend values obtained are increasing and accordingly it is found that the saving deposits for the year 2007 is estimated to be Rs 17144 crores.

"Obstacles are what you see when you take your eyes off the goal."

-Vince Lombardi

CHART NO. 4.4
SAVING DEPOSIT - TREND VALUE



Demand deposit

Table-4.5

YEAR	Demand Deposit (Rs. in crores)	Trend Value (Rs. in crores)
1997	2339	3676
1998	2467	3937
1999	2830	4197
2000	2607	4458
2001	2720	4719
2002	2658	4980
2003	3636	5240
2004	4185	5501
2005	5011	5762
2006	5700	6023
2007	Estimated year	6283

Table 4.5 shows that the trend values obtained are increasing and accordingly it is found that the demand deposits for the year 2007 is estimated to be Rs 6283 crores.

"The biggest obstacle in performance is not knowing what to do; it is not doing what we already know."

-- Alan Fine

CHART NO. 4.5
DEMAND DEPOSIT - TREND VALUE

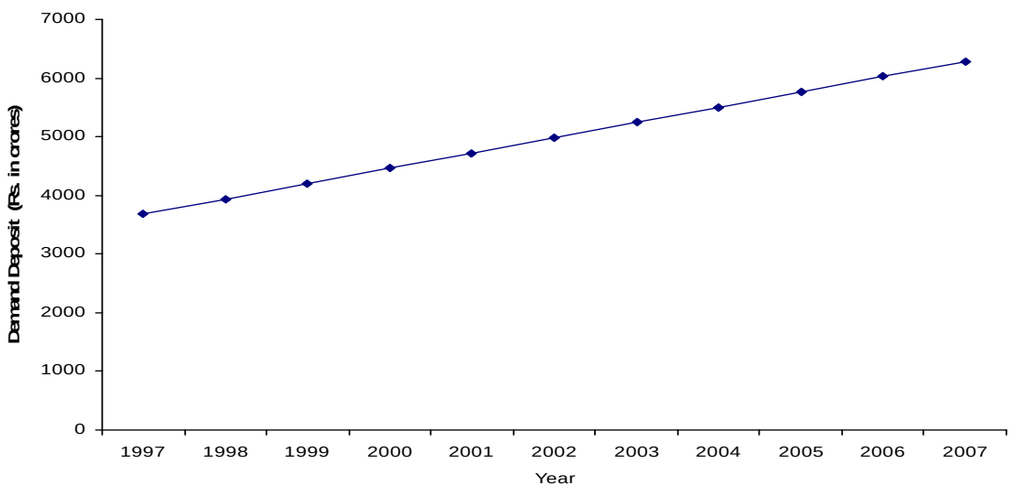
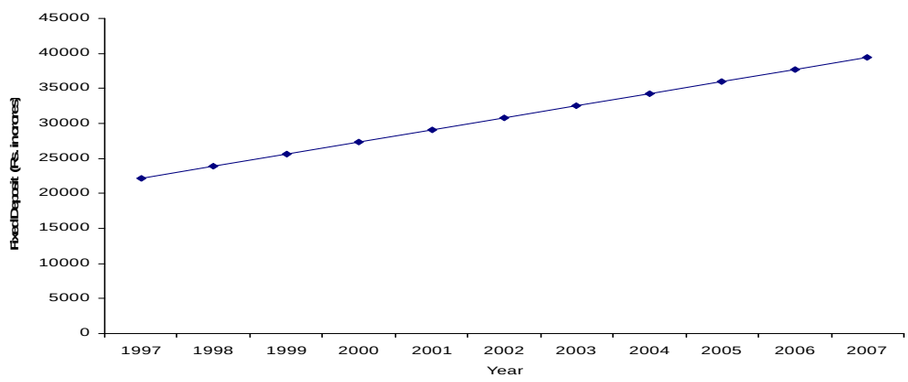


Table-4.6

YEAR	Fixed Deposit (Rs. in crores)	Trend Value (Rs. in crores)
1997	10419	22174
1998	12235	23902
1999	14752	25629
2000	16498	27357
2001	18762	29085
2002	22271	30813
2003	24899	32541
2004	27225	34269
2005	27039	35996
2006	30360	37724
2007	Estimated year	39452

From the above table 4.6 it is observed that the trend value obtained are increasing and accordingly it is found that the fixed deposits for the year 2007 is estimated to be Rs 39452 crores.

CHART NO. 4.6
FIXED DEPOSIT - TREND VALUE



Chi-square test

Saving deposit

Null hypothesis

The Saving deposit has no significance increase in the study period.

Table-4.7

S.No.	Observed Frequency (Rs. in crores)	Expected Frequency (Rs. in crores)	(O-E)	$(O-E)^2$	$(O-E)^2/E$
1	3214	7508	- 4294	18438436	2456
2	4625	7508	- 2883	8311689	1107
3	4331	7508	- 3177	10093329	1344
4	5211	7508	- 2297	5276209	703
5	5931	7508	- 1577	2486929	331
6	6878	7508	- 630	396900	53
7	8162	7508	654	427716	57
8	10071	7508	2563	6568969	875
9	12190	7508	4682	21921124	2920
10	14468	7508	6960	4844160	645
	75081				10491

Chi-square value = 10491 Table value = 16.919 DF= 9

Interpretation

The above table 4.7 indicates that value of $\chi^2$for a degree of freedom at 5% level of significance 16.919. Comparing calculates and table values of χ^2 we find that calculated value is higher than the table value. There is a significant increase in the saving deposit.

Result

It can be concluded that the saving deposit is increased in study period.

Demand deposit

Null hypothesis

The Demand deposit has no significance increase in the study period.

Table-4.8

S.No.	Observed Frequency (Rs. in crores)	Expected Frequency (Rs. in crores)	(O-E)	$(O-E)^2$	$(O-E)^2/E$
1	2339	3415	- 1076	1157776	3339
2	2467	3415	- 948	898704	263
3	2830	3415	- 585	342225	100
4	2607	3415	- 808	652864	191
5	2720	3415	- 695	483025	141
6	2658	3415	- 757	573049	167
7	3636	3415	221	48841	14
8	4185	3415	770	592900	173
9	5011	3415	1596	2547216	745
10	5700	3415	2285	5221225	1528
	34153				6661

Chi-square value = 6661 Table value = 16.919 DF= 9

Interpretation

The above table 4.8 reveals that value of χ^2 for a degree of freedom at 5% level of significance 16.919. Comparing calculates and table values of χ^2, we find that calculated value is higher than the table value. There is a significant increase in the demand deposit.

Result: It can be concluded that Demand deposit is increased in study period.

Fixed deposit

Null hypothesis

The Fixed deposit has no significance increase in the study period.

Table-4.9

S.No.	Observed Frequency (Rs. in crores)	Expected Frequency (Rs. in crores)	(O-E)	$(O-E)^2$	$(O-E)^2/E$
1	10419	20446	10027	100540729	4917
2	12235	20446	- 8211	67420521	3297
3	14752	20446	- 5694	32421636	1586
4	16498	20446	- 3948	15586704	762
5	18762	20446	- 1684	2835856	139
6	22271	20446	1825	3330625	163
7	24899	20446	4453	19829209	970
8	27225	20446	6779	45954841	2248
9	27039	20446	6593	43467649	2126
10	30360	20446	9914	98287396	4807
	204460				21015

Chi-square value = 21015 Table value = 16.919 DF= 9

Interpretation

The above table 4.9 shows that value of χ^2 for a degree of freedom at 5% level of significance 16.919. Comparing calculates and table values of χ^2, we find that calculated value is higher than the table value. There is a significant increase in the fixed deposit.

RESULT

It can be concluded that fixed deposit is increased in study period.

Findings

Analysis of development of deposits

Analysis of the growth movements of deposits of Indian Overseas Bank in terms of type of deposits revealed the following.

a) Average growth rate of saving deposit and fixed deposit had been continuously increased during the study period.

b) Average growth rate of demand deposits had not continuously increased it has been fluctuated level during the study period.

c) The calculated value is higher than the table value. There is a significant increase in the saving deposit.

d) The calculated value is higher than the table value. There is a significant increase in the demand deposit

e) The calculated value is higher than the table value. There is a significant increase in the fixed deposit

Suggestions

The suggestions may differ from bank to bank. Hence the following suggestions are given with the intention of increasing the performance of Indian Overseas bank.

- The bank must concentrate to get more deposits from customers and public.
- Bank must put maximum efforts to attract time deposits, which contribute significantly towards the enhancement of bank profitability.
- The bank should improved customer service, providing attractive gifts at a minimal cost range to their valuable customer's better nomination facilities and by the introduction of sophisticated and communication systems.
- Attractive interest rate should be provided for the various types of deposit in order to attract the investors both members and non-members.
- The official of the bank may contact directly the local bodies, clubs, educational institutions, trust and other voluntary organization for addition deposits.

Conclusion

The performance in growth movements of deposits in IOB is satisfactory during the study period. The analysis is highlighted the good performance of IOB. A few suggestions are given to improve the financial performance of IOB. If these suggestions are taken care by the management than the bank can retain its position as a best bank.

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EFFECTS OF MOTIVATION ON EMPLOYEES' PERCEPTIONS, BEHAVIOR AND PSYCHOLOGICAL ORIENTATION

*** Khalid Alrawi**

Abstract

There is a considerable interest and debate over the effectiveness of employees' motivation. An experimental design is used to test a series of hypotheses based on a sample of Indian and Egyptian employees. It has found that despite the existence of cultural differences at an ethnic level, culture does not appear to have a significant impact on the employee responses to motivation. This paper will look at the different characteristics of employees and then approaches which are generally used by managers towards these two different groups. This paper examines the impact of sub-culture on preferences of managerial motives. Finally, the study also provides further evidence that validates a scale used for the measurement of culture.

Keywords: Culture, Ethnicity, Motivation, Extrinsic Motives, Intrinsic Motives, Organizations

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Introduction:

The widespread use of motivation has sparked considerable interest and debate over their effectiveness. The discrepancy between effectiveness and no effect of motivation suggests that there are conditions and factors that can influence that effectiveness.

Culture can influence both the development of a theory or concept and its application (Guangping and Richard, 2002). Like so many concepts, organizational culture defined the same way by any two popular theorists or researchers. One of the definitions of culture is as follows: symbols, language, ideologies, rituals, and myths (Ivancevich, et.al, 2008). The word "culture" is frequently used in organizational behavior in connection with the concept of "corporate culture", the growing interest in workforce diversity, and the broad differences among people around the world. Cross-cultural studies of motivation are taking place in two areas. First, variances and similarities among motives and the relative importance of motives tend to indicate that there are routine differences in various cultures. Second, continuing research is oriented toward the understanding of which motivational theories are culture bound and which are more applicable to a particular society (Edmondson, 2002).

The workforce is becoming divers, more multicultural, older, and there are more women working than ever before. Managing such a workforce requires new approaches. Thus, organizational culture is a system of shared beliefs and values that guide's behavior (Wood et.al, 2006). Further research is required on understanding culturally-driven responses to motivation, as cultures differ in their value systems, evaluations of management communication shall differ accordingly. Therefore, there is a need for research to examine the effects of motivation activities on cultural groups within countries (Kayworth, and Dorothy, 2002). It has also

been suggested that an understanding of culture can assist in making managerial decisions, such as whether to pursue standardized or localized strategies (Schermerhorn, et.al, 2003). In this respect, the organizational culture represents a complex pattern of beliefs, expectations, ideas, values, attitudes, and behaviors that are shared by the members of an organization which includes the overtime policy (Richard et.al, 2004). Cultures vary in its underlying patterns of values and attitudes. The way people think about such matters as achievement, wealth and material gain, risk and change, may influence how they approach work and their relationships with the organizations (Lievens and Highouse, 2003).

In every culture, certain factors act as motivators while others as demotivators. Specific motivations and their relative importance are unique to each culture and to each situation.

Managers must be aware of the cultural backgrounds that they bring with them to the task of performance appraisal. They should be careful to avoid criticizing employees for cultural differences (Slaughter et.al, 2004). However, many cross-cultural studies in management have mainly examined the impact of culture across nations. It has been argued that cultural differences may also exist at an ethnic level (Joerg et.al, 2003).

Cultural values, which represent collective beliefs, assumptions, and feelings about what is right, normal, rational, and valuable, can be quite different from one organization to another. In some, employees may care much about money, while in others; they may care more about technological innovation or the employee's well-being. These values tend to persist over time, even when organizational membership changes.

Understanding and predicting employee's motivation continues to be one of the most popular areas in management research. The purpose of this study is to investigate cultural differences at this level. The study was undertaken in Abu Dhabi, the United Arab Emirates. As in many nations, there has been an excessive use of motivation is being made by a diverse ethnic mix of employees.

This study makes several important contributions to both management theory and practices. First of all, although Chandon, Wansink, and Laurent (2000) attempted a cross-national replication, their analysis did not specifically explore the impact of culture. Thus, and by incorporating culture, this study readdresses one of the limitations of the earlier study. This study is one of many pieces of research in management that empirically measures culture at an ethnic group level. It provides evidence to examine the popular assumption that cultural differences exist at this level. Secondly, the study also contributes to theory development by providing further validation of a new scale for measuring culture in an employee context, namely the CVSCALE (Yoo, Donthu and Lenartowicz, 2001). Finally, the study provides insights to management practitioners in the design of motivation strategies. It addresses the issue of whether to standardize or to localize motivation between targeted ethnic groups, (Uncle and Kwok, 2002).

Motivation and the potential impact on culture

Many organizations have been offering goal setting motivational tactics for years, and many have experienced success with the

process. These have been the easiest forms of implementation by organizations, and many have experienced success with the processes. Regardless of what theory and processes managers choose to use, it's important to evaluate their staff properly before implementing the motivation factors, and also ensure that they offer proper rewards, encourage participation, offer support, and offer feedback to ensure that their employees do feel valued and motivated and are achieving to their full capabilities.

An employee must be motivated to work for a company or organization. If no motivation is present in an employee, then that employee's quality of work or all work in general will deteriorate. The majority of past studies on the effectiveness of motivation have focused on monetary issues (Blau, 2006). However, in practice, a range of both monetary and non-monetary incentives is used. There are important differences between them; extrinsic motives (e.g., salary increase) tend to provide fairly immediate rewards to the employee and they are transactional in character; while intrinsic motives (e.g., shifting to a new post) tend to involve delayed rewards and are more relationship-based (Tomer, 2001).

According to various theories, motivation may be rooted in the basic need to minimize physical pain and maximize pleasure, or it may include specific needs such as eating and resting, or a desired object, goal, state of being, ideal, or it may be attributed to less-apparent reasons such as altruism, morality, or avoiding mortality. Motivation is the activation or energization of goal-oriented behavior. Motivation refers to the individual forces that account for the direction, level, and persistence of a person's effort expended at work; therefore, managerial motivations can offer many benefits. Improving the quality of life may be regarded as the primary benefit. However, there is enough evidence to suggest that employees are motivated by several other benefits including the desire for incentive pay, employment security, flexible job assignment, and labor relations. These benefits are further classified as external motives (extrinsic motives) or internal motives (intrinsic motives). Consistent with such understanding, the benefits of value expression, exploration and entertainment can be classified as internal motives.

Culture is difficult to define, but typically it is seen as (the learned and shared ways of thinking and acting among a group of people or society) (Cascio, 2002). This definition is appropriate for several reasons. Firstly, it implies that culture encompasses all the norms and beliefs of a society- it is the total way of life in a society. Thus, the definition allows the possibility of a culture to have an impact on employee behavior. Secondly, the definition is flexible in allowing different levels of culture. This is evident by the notion of 'society' within the definition, which means that culture is not necessarily restricted to a country basis. This is important, given that the focus of this study is not on national culture (Allen and Katz, 2002). In this study, culture is examined at the ethnic-group level within the domestic Arabian context. Ethnic groups can be considered as sub-cultural within a country. Thus, the study of culture by ethnicity within a domestic context is feasible and appropriate since each ethnic group will have its own unique set of cultural values (Chadwick, Hunter, and Walston, 2004).

Based on the distinction between the

different types of motivation and benefits, Chandon, Wansink and Laurent (2000), showed that monetary incentives provide more benefits (internal motives) whilst non-monetary incentives provide less benefits (external motives). These relationships are a matter of degree rather than being absolute.

In this study, culture is examined at the ethnic-group level within the domestic Arab Emirates context. Ethnic groups can be considered as subcultures within a country. They preserve the main characteristics of the national culture from which they originate but also develop their own unique norms and beliefs (Usunier, 2000). Each ethnic group constitutes a unique community because of common culture (Lee et.al, 2002).

Given the potential relevance of culture, a basis is required for assessing its impact. The researcher below makes use of the five cultural dimensions popularized by Hofstede (1991): power distance, uncertainty avoidance, individualism-collectivism, self-esteem, and time orientation. Alternative dimensions have been suggested by other researchers (Gary, 2004), but Hofstede's dimensions are by far the most widely accepted and have been applied in many cross-cultural studies (Lee and Bruvold, 2003). Admittedly, there are several poignant criticisms of Hofstede's dimensions. His original study is relatively old and may be outdated, however, and despite such limitation, Hofstede's dimensions remain conceptually valid for explaining cultural differences. The appropriateness of using these dimensions in this study is supported by the suggestion that there are specific relationships between (Hofstede's) cultural dimensions and the "appropriate promotional policy" (Cropanzano, Rupp, and Byrne, 2003). Indeed, one of the aims of this study is to verify whether there are any relationships between the cultural dimensions and employee responses to motivation. Furthermore, although developed for cross-country comparisons, Hosfstede's dimensions are believed to be capable of explaining intra-country variations (Au, 1999), including an ethnic-group level. Individual values and attitudes are both important aspects of motivation and have strong cultural foundations. What proves motivational as a reward in one culture, for example, might not work in another. We should be sensitive to these issues and avoid being parochial or ethnocentric by assuming that people in all cultures are motivated by the same things in the same ways (Hofstede, 1993).

Research methodology and hypotheses

In this paper, the researcher divides the motivation into two groups: extrinsic and intrinsic motives. The extrinsic motives represent any monetary benefits in the short or long term period of time, whereas the intrinsic motives represent any improvement in the employee's status with no necessity of any financial benefits within the hierarchy of an organization.

Individuals who are not able to recognize and respect the impact of culture on behavior may contribute to the emergence of dysfunctional situations. On the other hand, by approaching a cross-cultural work situation with sensitivity and respect, one can find ways to work together without great difficulty and even with the advantages that constructive conflict may offer (Latham, 2001). In general, it is hypothesized that differences based on Hofstede's (1991) five cultural dimensions can lead to relative differences between ethnic groups in their performance

for motivation types. With relationshipsbeing established between (extrinsic), and (intrinsic) motives types, and motivation benefits (Figure 1), ethnic groups may differ in their relative choices of extrinsic and intrinsic motives: for example, whilst extrinsic motives might be more effective for employees, the choice share of extrinsic motives may be higher for one ethnic group than for another due to certain cultural differences (Hansen, 2002).
Employees who are solely motivated by a high salary are said to be extrinsically motivated.

The following hypotheses are detailed based on the five cultural dimensions, but the theoretical strength of the hypotheses is not equal across them all. These theories tend to stress cultural differences and the fact that individuals tend to be motivated by different factors at different times. For example, collectivism may have a stronger theoretical basis than power distance (Cummings, 2001). Also, reward power is the extent to which a manger can use extrinsic and intrinsic rewards to control other people. However, all five dimensions have been included to ensure that the study is comprehensive.

Although all managers have some access to reward, success in accessing and utilizing rewards to achieve influence varies according to the skills of the manager. An effective leader must understand how to manage all characters, and more importantly the manager must utilize avenues that allow room for employees to work, grow, and find answers independently.

Hypotheses

Motivators can be extrinsic and intrinsic. Extrinsic motivators are the visible consequences external to the individual (e.g., money), usually contingently administered by others, to motivate the individual. Intrinsic motivators are internal to the individual, and are self-induced to learn, achieve, or in some way better oneself.

Power distance: is the willingness of a culture to accept status and power differences among its members. It reflects the degree to which people are likely to respect hierarchy and rank in organizations. In high power distance cultures, inequality is prevalent and accepted. Indeed, privileges and status symbol are both expected and desired (Hofstede, 1991). Employees in such cultures are more likely to be responsive to motivations that contain differential treatment. These mainly involves intrinsic motivation, in which differential treatment may occur by giving priority to value (e.g., shifting to a new position) or by chance (e.g., temporarily rewards). In contrast, cultures with lower power distance are less tolerant of inequalities and special privileges (Hofstede, 1991). Employees in such a culture would have a relatively higher preference for motivation that offers equal rewards for everyone. These mainly involve extrinsic motivation, such as salary raise, as they are generally available within the same level of benefit offered to every one. In this respect the developed hypothesis is: “Extrinsic motivations (external motives) are more likely effective for low power distance cultures rather than the high ones”.

Uncertainty avoidance: is the cultural tendency to be uncomfortable with uncertainty and risk in everyday life (structured vs. unstructured organizational situations). In high uncertainty avoidance cultures, there is a tendency to prefer stable situations and avoid risk (Usunier, 2000). Thus, to the extent that uncertainty avoidance is related to risk aversion. Such cultures would prefer motivations that offer more internal and immediate rewards, (e.g., immediate payment).This is expected since such rewards are more certain and involve

minimal amounts of risk. On the other hand, cultures with low uncertainty avoidance are more risk-tolerant and would view the opportunities within the future as uncertainties. Thus, employees of such a culture will be more accepting of motivations that offer relatively less internal and long-term rewards (e.g., new managerial post), (Adler, 2002). The hypothesis developed in this respect is: "Extrinsic motivations (external motives) are more effective for high uncertainty avoidance culture rather than the low ones".

Individualism/collectivism: The degree to which people in a society focus on working as individuals more than on working together in groups. The Equity theory says that here is a significant relationship between behavior and motivation, particularly between groups and individuals. Motivation of a group has a serious impact on individual behavior (John, 2003). Likewise, the motivation of an individual can have a serious impact on a group. Typically, a group's behavior or individual's behavior is not self-motivation, but rather the effects of some type of group behavior .Value are placed on self-interest and independence as well as on pleasure. In addition, the individualistic culture emphasizes differentiation and the ability to express one's uniqueness. With such characteristics, cultures might be more receptive to intrinsic motives since the associated external motives are entertaining and more experiential. Furthermore, such benefits can provide intrinsic value to individuals and an opportunity for self-expression. Thus, the extent of individualism may affect the employee's choices between the different types of motivation (Nakata and Sivakumar, 2001). In contrast, less individualistic cultures are characterized by close relationships and interdependence. Elton Mayo found out that the social contacts a worker has at the workplace are very important and that boredom and repetitiveness of task lead to reduce motivation (Quinetta, 2005). As a result, employees were given freedom to make decisions on the job and greater attention was paid to informal work group .Thus, collectivistic cultures can be expected to be less responsive to relationship building motives (e.g. motive plan) since they will be reluctant to forge a relationship with an out-group. Instead, collectivistic cultures may be more likely to respond to extrinsic motives since the benefits provided are more common (e.g. salary increment), and are more readily shared amongst the in-group (e.g., external motives). The hypothesis under such attitudes is: "Extrinsic motivations (external motives) are more effective for collectivistic cultures rather than to individualistic ones".

Self-esteemed (masculinity)/feminity: refers to the tendency of a culture to value stereotypical masculine or feminine traits. It reflects the degree to which organizations emphasize competition and assertiveness versus interpersonal sensitivity and concerns for relationships. In self-esteemed cultures, strong values are placed on materialistic success and assertiveness (Meyer, 2001). Employees in such culture are more likely to respond to extrinsic motives, since the more internal and transactional-based benefits can satisfy their need for personal and materialistic success. At the other end of the spectrum, less masculine cultures emphasize caring for others and on the other hand, there is relatively less emphasis on personal and materialistic gains. We have to keep in our minds that money has a complex effect on high achievers. They are aware of their abilities and limitations, and thus, are confident when they decide to do a particular job. They value money as a strong symbol of their achievement and adequacy. A financial motive may create dissatisfaction to them if they feel that it inadequately reflects their contributions. We would predict that group work will motivate employees more when the country's culture scores high on the quality of the self-esteem criterion (Dane and Pratt, 2007). Thus, employees with such cultures

are expected to be more responsive to intrinsic motives, since the benefits offered are more focused on relationships. The hypothesis developed therefore is that: "Extrinsic motivations (external motives) are more effective for self-esteemed (masculine) cultures rather than to low self-esteemed (feminine) ones".

The final dimension concerns "*TLME ORIENTATION''*: The degree to which a culture emphasizes long-term or short-term thinking. It is the tendency of a culture to emphasize values associated with the future, such as thrift and persistence, or values that focus largely on the present. The higher or the positive end is related to a future oriented perspective with values placed on persistence and loyalty. Employees in such cultures are more willing to make short-term sacrifices or investments for long term gains. This is supported by research studies which have shown that people with a future orientation have a preference for a delayed reward (Arthur, Khapova, and Wilderom, 2005). In effect, employees in cultures with high-on-time orientation are expected to be more responsive to intrinsic motives such as transference to another department or a new job title, since many of the rewards are long-term and loyalty-based. In contrast, the lower or negative end is characterized by a past oriented perspective, with an emphasis on traditions. Employees in such cultures favor short-term planning and more immediate financial gains (Spears, Lin and Mowen, 2001). Therefore, employees of cultures low-on-time orientation (Confucian dynamism) are expected to react relatively poor towards intrinsic motives due to the delayed gratification involvement. Instead, they are expected to favor extrinsic motives given that the benefits are more immediate and transactional. Therefore the hypothesis is that: "Extrinsic motivations (external motives) are more effective for cultures low-on-time orientation rather than to cultures with high on time orientation".

Finally, an organization may use rewards and status symbols ineffectively and inconsistently. If it does, it misses a great opportunity to influence its culture because an organization's reward practices and its culture appear to be strongly linked in the minds of its members. In fact, some authorities believe that the most effective method of influencing organizational culture may be through the reward system. The five hypotheses associated with the five cultural dimensions are summarized in Figure (1). Each cultural dimension is considered one - by- one.

Figure (1) is about here

Research analysis

There is a need to combine motivation approaches and use them simultaneously as well as appropriately. One of the best ways to motivate employees is to ensure they feel what they are doing is important. Employees must feel that they have an important role to offer ideas and actively play a part in the achievement (Amanuel, and Susan, 2003). Each motivation approach has helped to explain how employees' differences affect the motivation from different perspectives. Managers could not expect to use the same kind of approach to motivate the two groups. The two ethnic groups the Indians and the Egyptians are selected for investigation. The source countries of these groups differ markedly in terms of Hofstede's (1991) cultural dimensions. Relatively, the Egyptians are seen as high-power-distance, low on uncertainty avoidance, collectivistic, self-esteemed and time oriented, whereas, the Indians are, low-power-distance, high on uncertainty avoidance, individualistic, low self-esteemed and low time oriented. The ethnic samples used are drawn from employees at Ajman University in the United Arab Emirates. The main purpose of this study is theory-testing and does not effect application. Therefore, the use of a

homogeneous sample such as employees is acceptable and appropriate, as it reduces variability and the impact of irrelevant factors (Simone, et.al, 2004). The samples are controlled for non-cultural confounding factors. Both macroeconomic and sociodemographic factors can affect employees from different cultures in their responses to motivation. Macroeconomic factors, such as the level of the national economic activity, are effectively controlled by examining only one country and thus, these factors can be treated as constants. With regard to sociodemographic factors, common characteristics considered in cross-cultural studies on motivation include age, gender, income, and level of education. These have either been treated as covariate or controlled via matched sampling. However, it has also been argued that individual demographics do not explain any differential effectiveness of an incentive (Stephen and Anne, 2001). Given these varied findings in this study, a mixed approach to the treatment of confounding sociodemographic factors is adopted. Firstly, the level of education is matched. The samples are restricted to graduate employees so as to ensure a common level of education and to reduce any biasness from knowledge of a particular field. Secondly, gender, age and income factors are treated as covariates and they remain important to examine as gender and age differences in employee behavior are possible particularly across different cultures. However, despite the validity of self-identification, it may be confounded with the effect of acculturation (i.e., the extent of assimilation of a new culture by an ethnic minority). In this study, acculturation is analyzed using a person's country of birth and the time spent living in the United Arab Emirates. In terms of recruitment, a self-identification process is used to determine the ethnicity of respondents (Simon and Mark, 2002). Self-identification is believed to be more relevant for selecting subcultures within a country than any other popular measures, such as the country of citizenship. Self-identification represents a person's internal beliefs and hence is said to reflect a person's cultural reality (Gary, 2006).

The main experiment of the research consists of a self-administered questionnaire, which is designed to test the validity of the CVSCALE and to test the five hypotheses listed in the previous section (See Appendix A). The questionnaire was pilot tested. In the main experiment, two versions were used to test ordering effects. Respondents were randomly assigned to one of the two versions of the questionnaire. For both versions respondents were asked to: i) choose amongst the most effective options for three monetary and three non- monetary incentives, ii) provide the relative preference for extrinsic and intrinsic reward preferences, iii) complete the CVSCALE items and, iv) complete demographic questions including gender, age, income, ethnicity and acculturation. Responses to the CVSCALE are used to determine the relative cultural values of both ethnic groups on the five cultural dimensions. For the whole sample, the reliability alpha of the cultural dimensions ranged from 0.54 to 0.65 (Table 1). Although these results are modest, they are comparable to those reported by Yoo, Donthu and Lenatowicz (2001), and they all satisfy the reliability threshold of (0.6) that is commonly accepted for new scales. Furthermore, no significant differences were found in the responses between the two versions of the questionnaire. Thus, there appears to be no ordering effects. It should be noted that reliability levels varied slightly between the ethnic groups. However, the variations are similar to those reported by Yoo, Donthu and Lenatowicz (2001), and only in one case did the reliability alpha fall below (0.6) (0.51 for self-esteem among Indians).

Table (1) is about here

After reliability testing, a factor analysis was used to ascertain the validity of the items (Table 2). Under the specification of five

factors, the results of the exploratory factor analysis provide preliminary support for the CVSCALE's validity. Overall, the results support the independence of the constructs.

Table (2) is about here

Using AMOS 4.0, the key results of the standardized solution are shown in table (3). The overall fit of the measurement model was excellent: X^2 (*d.f.* = 296) = 540.30, root mean square error of approximation (RMSEA) =0.05, normed fit index (NFI) =0.96, comparative fit index (CFI) = 0.98 and incremental fit index (IFI) = 0.98. These results provide a strong conformity support for the CVSCALE and its use in studying the hypothesized constructs.

Table (3) is about here

With regards to composite reliability, all the estimates were ranging from 0.74 to 0.80 (Table 3). These results are evidence of the scale's convergent validity. In addition, whilst the average variance extracted for each dimension was only moderate at 0.50, they do satisfy the minimum acceptable level, thus the results provide support for the independence of the dimensions. Having confirmed the reliability and the validity of the CVSCALE, responses to the scale are then aggregated for analysis. For the whole sample, an average score for each cultural dimension is computed for both ethnic groups. The score is calculated as the average of the individual items of each cultural dimension answered by the respondents of each ethnic group. This approach reflects the flexibility of the CVSCALE in that it allows the culture to be measured at the individual level but analyzed at an appropriate aggregate level. Thus, individual respondents may differ from the average of their group but will remain appropriate for analysis. The average scores are then compared to classify the relative cultural values of the two ethnic groups on each dimension, (Table 4).

Table (4) is about here

Although the absolute difference appears small, based on conventional statistical standards, there are significant differences between the two ethnic groups on all of the cultural dimensions ($P < 0.05$), except for the uncertainty avoidance. Using the relative averages, the Indians can be classified as relatively low-power-distance, low on uncertainty avoidance, individualistic, feminine, and low-on-time orientation, and vice-versa for the Egyptians. The classifications largely conform to Hofstede's (1991) results. Indeed, as explained before, the purpose of using the CVSCALE is to provide a direct measure of culture and to avoid the limitations of inferring this from past studies such as Hofstede's.

In order to examine each hypothesis, the results of the experiment are analyzed using two main procedures. Firstly, logistic regression is used to test the relationships between preference and motivation types. The dependent variable is the choice between incentive type (extrinsic or intrinsic); the independent variables are motive type (external or internal) and the covariates of gender, age, and income. Secondly, choice shares of motive types are analyzed to identify any differences in the choices between ethnic groups. Analysis is undertaken at an ethnic-group level and at an individual level, and across different acculturation groupings.

Table (5) is about here

Edward Lawler, a management expert, has contributed greatly to our understanding of pay as an extrinsic reward. His research generally concludes that, for pay to serve as a source of work motivation, high levels of job performance must be viewed as the path through which high pay can be achieved, (Robert, 2003). Logistic regression analysis is performed on each ethnic group for each dimension. Thus, a total of 10 regressions were conducted, (Table 5). The results show that the regression models generally have a poor fit since the reduction in the (-2) log

likelihood values and the R^2 values are relatively low. However, the omnibus test of model coefficients indicates that coefficients were significant for 5 of the model ($p<0.05$). Within the significant models, motive type was consistently shown to have a significant and a negative relationship with the motive type: high power distance ($\beta = -1.59$, $p=0.00$), high uncertainty avoidance ($\beta = -1.32$, $p = 0.00$), individualism ($\beta = -0.95$, $p = 0.00$), self-esteem ($\beta = -1.37$, $p = (0.00)$, and time-orientation ($\beta = -1.06$, $p = 0.00$). These results indicate that for each significant dimension, internal motives are associated with the choice of intrinsic motives and external motives are associated with the choice of extrinsic motives. The covariates of gender, age and income were generally found to be insignificant. The only exception is that higher income was found to be associated with the choice of intrinsic motives under the individualism dimension ($\beta =1.28$, $p = 0.02$).

To test the hypotheses there are two pretests and one main experiment. However, it is first necessary to discuss the stimuli and the measurement scale. This is summarized in (Table 6) and (Appendix B).

Table (6) is about here

Testing the hypotheses

In testing the hypotheses, the data were analyzed at an ethnic level. For the purpose of analysis, the upper median splits within each group on each cultural dimension are used. The choice share results for each ethnic group on each dimension are shown in (Table 7). The results are reflective of the regression findings, in that financial motives have a relatively higher choice share of extrinsic motives than non-financial motives. Another key result is that for each ethnic split, extrinsic motives are preferred over intrinsic motives across all preferences and for each preference type.

Table (7) is about here

The choice share results also provide a basis to evaluate the hypotheses. As evident in (Table 7), there were no significant differences in the choice share between ethnic groups across all motives. Within motivations types, differences were found in only 2 out of the possible 10 cases. Firstly, in the case of external incentives, low-power-distance Indians were found to have a higher preference for extrinsic motives than higher power-distance Egyptians (81% vs. 70%; $p<0.05$). This is in line with the prediction of hypothesis (1). Secondly, in the case of internal motives, feminine Indians were found to have a lower preference for extrinsic motives than masculine Egyptians (78% vs. 87%; $p<0.05$). This is consistent with hypothesis (4). However, these were the only instances where differences were found. It is evident that, in general, there was no difference in the choice shares between ethnic groups across all motives and motivations types, despite differences in cultural values. Thus, there is insufficient evidence to support the hypotheses of this study. The results were confirmed with a quartile-split sample. Although there was greater variance in the cultural values between ethnic groups, no significant differences in choice shares were observed for any of the cases.

SUMMARY AND CONCLUSIONS

In today's business environment, managers must employ an organizational culture, where motivation is the key to their mission as leaders. In motivation a manager normally seeks to change or sustain the behaviors of his subordinate. The main question facing managers in an organization is motivation, how does it work, when to apply and to whom they should apply on. Motivation is different things to different people.

The key findings and contributions of the study can be summarized in two main areas: culture and motivation, and culture and ethnicity.

Clearly, money plays an important role in

motivating job performance. But as mentioned earlier, money has its limitations as a motivator, especially in the world of the professional employees.

This study provides empirical evidence and further validates the CVSCALE established by Yoo, Donthu and Lenartowicz (2001). The flexibility of the CVSCALE is demonstrated, in that culture can be analyzed at both the ethnic and the individual levels. Thus, the study provides further evidence for the validity and usefulness of this scale.

Another key contribution of the study is that despite cultural differences between ethnic groups, there are no significant differences in their preferences for motivation types. With only 2 exceptions, this result is found to be consistent at an ethnic-group level across all incentives and for each incentive type. The absence of cultural effects is also evident at an individual level. The implication of this finding is twofold. Firstly, although cultural differences may exist, these do not appear to affect the employee responses to motivation at an ethnic level. This suggests that managers can use standardized motivation when targeting different ethnic groups and avoid the use of more costly differential strategies. Secondly, the finding highlights the fact that cultural distinctions may be more relevant in some areas of management than in others. Thus, it would be a mistake to assume that cultural differences will affect all areas of management. Hence, the relevance of ethnic management as suggested by (Higgins and McAllaster, 2002) needs to be considered within the specific context in which it is applied.

There are mixed findings with regard to the framework of managerial motives effectiveness. With only a few exceptions, the covariates of gender, age, and income were all significant in accounting for the choice of motives. They were also evident across all cultural groups at all levels of analysis and thus, the impact of culture on these results appears to be minimal.

Limitations and further research

There are several limitations, relating to the focus of the study and the methodology used. Some of these highlight useful directions for future research. Ethnic groups are not expected to conform to any single cultural dimensions as they involve a whole set of cultural values. In this paper the cultural dimensions are examined separately. There is no examination of any correlation effects between the dimensions, and no assessment of the relative importance of each dimension.

The employee’s response may differ if the focus on other human resource variables is considered; therefore, it would be worthy for further research to explore other effects along with the impact of culture on employees' motives. This study ignores the fact that employees may perceive themselves to belong to more than one ethnic culture, and that the strength of identification with a particular ethnic group may differ among its members. These issues deserve further investigation.

The current study only focused on the employee's motivation with a particular package of incentives, and other types of variables in other industries or economic sectors that may be applied differently. Therefore, the study could be further extended by considering the use of alternative measures and stimuli, for example: culture may also be measured by using Hofsted’s (1991) original scale, or one of the alternatives that have been proposed (e.g., Furr, Liu and Sudharshan, 2000). Finally, the generalizability of the results could be extended by other extrinsic and intrinsic motives within the hierarchy of an organization, or even other statistical methods in addition to the techniques used in this paper.

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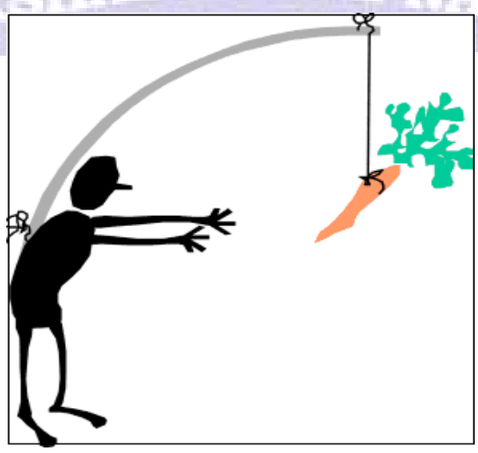

Figure (1): Summary of the Hypotheses

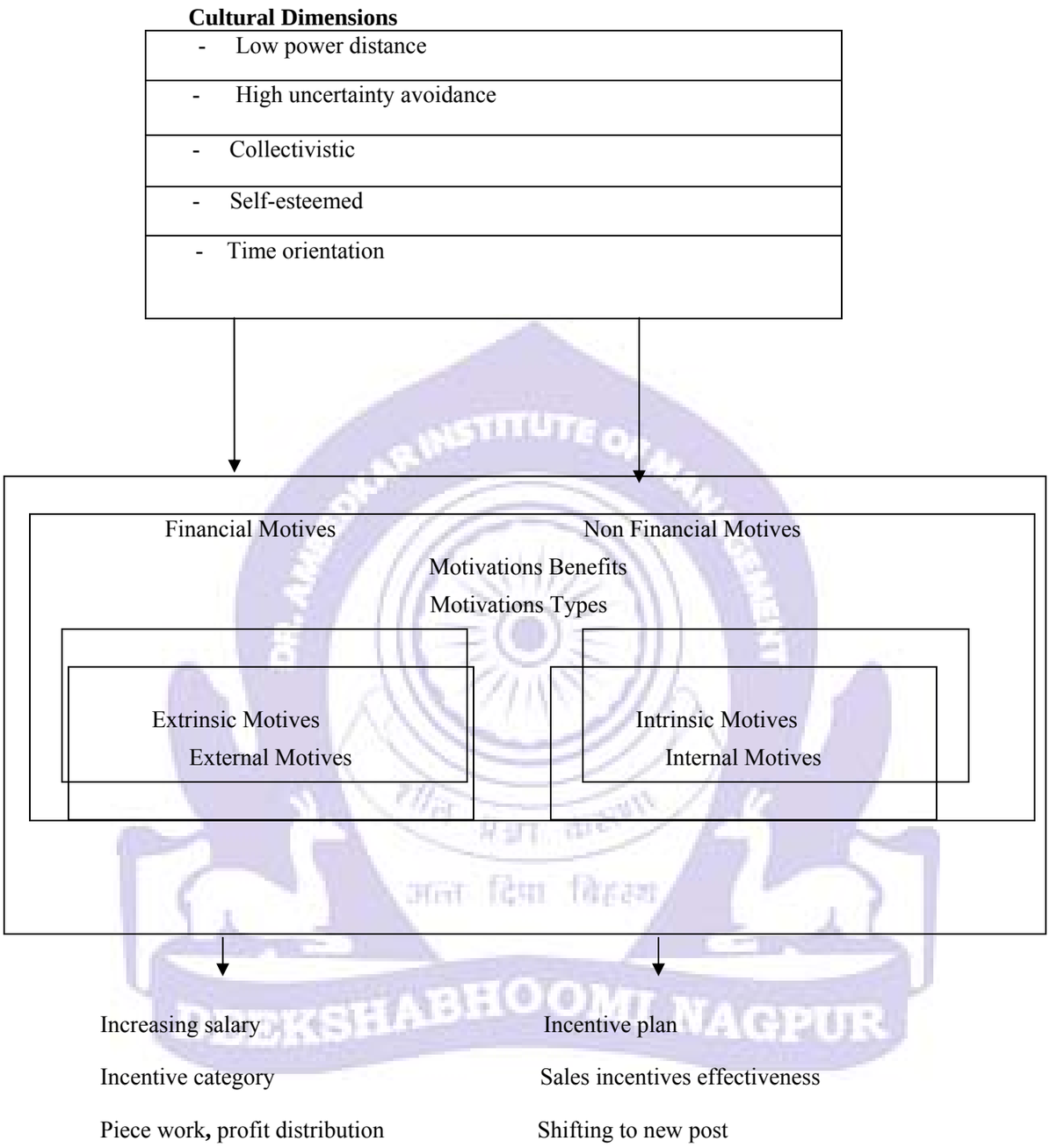

Table (1): Reliability Analysis Results

Variables	**Whole Sample**	**Indians**	**Egyptians**
Power Distance	0.61	0.65	0.59
Uncertainty Avoidance	0.60	0.63	0.57
Individualism	0.63	0.60	0.66
Self-Esteem	0.54	0.51	0.63
Time Orientation	0.65	0.64	0.65

Table (2): Exploratory Factor analysis Results

CVSCALE Item Number	Power Distance	Uncertainty Avoidance	Individualism	Self-Esteem	Time Orientation
Power2	**0.65**	0.08	0.11	-0.08	-0.08
Power1	**0.62**	0.05	-0.03	0.07	-016
Power4	**0.56**	-0.09	0.09	0.09	0.03
Power5	**0.54**	0.14	0.02	0.00	-0.03
Power3	**0.45**	**-0.26**	-0.03	0.01	0.07
Uncertainty3	0.00	**0.74**	0.01	0.05	0.00
Uncertainty5	-0.04	**0.60**	0.02	0.13	0.13
Uncertainty2	0.08	**0.49**	0.07	-0.19	0.22
Time3	-0.04	**0.41**	-0.03	-0.09	0.40
Uncertainty4	-0.01	**0.41**	0.08	0.19	0.05
Uncertainty1	0.08	**0.40**	-0.02	0.13	0.24
Individualism3	0.01	0.00	**0.63**	0.12	0.15
Individualism4	0.17	0.00	**0.63**	-0.05	0.17
Individualism6	0.07	-0.01	**0.63**	0.23	-0.07
Individualism2	-0.16	0.15	**0.50**	-0.09	-0.14
Individualism5	0.14	0.16	**0.47**	0.21	-0.17
Individualism1	0.03	-0.02	**0.46**	0.00	0.12
Self2	-0.05	0.05	0.01	**0.72**	0.11
Self1	0.33	-0.13	0.13	**0.62**	0.11
Self3	0.06	0.06	0.07	**0.60**	-0.02
Time4	-0.05	-0.04	0.03	0.03	**0.66**
Time5	0.05	0.05	0.04	0.00	**0.64**
Time6	-0.08	-0.08	0.11	-0.10	**0.63**
Time1	0.01	0.01	-0.05	0.05	**0.54**
Time2	-0.16	-0.19	0.20	-0.03	**0.31**

Table (3): Confirmatory Factor Analysis Results

	Standardized Factor Loading				
CVSCALE Item No.	**Power Distance**	**Uncertainty Avoidance**	**Individualism**	**Self-Esteem**	**Time Orientation**
Power	0.56				
Power	0.48				
Power	0.36				
Power	0.47				
Power	0.42				
Uncertainty		0.41			
Uncertainty		0.41			
Uncertainty		0.70			
Uncertainty		032			
Uncertainty		0.57			
Individualism			0.34		
Individualism			0.24		
Individualism			0.61		
Individualism			0.56		
Individualism			0.43		
Individualism			0.54		
Self-Esteem				0.56	
Self-Esteem				0.52	
Self-Esteem				0.55	
Self-Esteem				0.31	
Time-Orien.					0.51
Time-Orien.					0.18

Time-Orien. **Time-Orien.** **Time-Orien.** **Time-Orien.**					0.44 0.68 0.43 0.61
Composite Reliability	0.78	0.77	0.80	0.74	0.80
Variance Extracted	0.50	0.50	0.50	0.50	0.50

	X^2	*d.f.*	RMSEA	NFI	CFI	IFI
Model	540.30	296	0.05	096	098	098

Table (4): Average Cultural Scores

	Power Distance	Uncertainty Avoidance	Collectivism	Self-esteem	Time Orientation
Indian	3.92 Low	1.97 Low	2.67 Individualistic	2.93 Feminine	1.93 Low
Egyptian	3.69 High	2.02 High	2.39 Collectivistic	2.38 Self-esteem	1.69 High
T-value	2.11	1.8	2.62	3.02	3.03
Sig. P-value	**0.01**	**0.12**	**0.00**	**0.0**	**0.00**

Table (5): Logistic Regression Results at an Ethnic Level

	Model Summary			Independent variables			
	-2 log Likelihood	R^2 Value	Omnibus Test of Model coefficients	Promotion Type	Gender	Age	Income
Power Distance Indian	223[a] (226)[b]	0.04[c]	**0.44**	-0.19 (0.46)[d]	0.60 (0.07)	0.15 (-0.64)	-0.27 (0.42)
High Power Distance Egyptian	218 (244)	0.16	**0.02**	**-1.59** **(0.00)**	0.35 (0.27)	-0.13 (0.67)	0.52 (0.14)
Low Uncertainty Avoidance Indian	238 (242)	0.04	**0.43**	-0.48 (0.12)	0.51 (0.88)	0.09 (0.75)	0.43 (0.18)
High Uncertainty Avoidance Egyptian	241 (261)	0.13	**0.02**	**-1.32** **(0.00)**	-0.15 (0.65)	-0.15 (0.64)	0.62 (0.06)
Individualist-Indian	261 (266)	0.04	**0.29**	-0.24 (0.36)	0.30 (0.36)	-0.04 (0.46)	0.58 (0.06)
Individualist-Egyptian	244 (258)	0.10	**0.02**	**-0.95** **(0.00)**	0.30 (0.36)	-0.07 (0.87)	**1.28** **(0.02)**
Self-esteem Indian	241 (242)	0.02	**0.96**	-0.16 (0.59)	0.16 (0.63)	-0.05 (0.83)	0.14 (0.67)
Self-esteem Egyptian	216 (236)	0.13	**0.02**	**-1.37** **(0.00)**	0.37 (0.25)	-0.14 (0.64)	0.74 (0.08)
Low time Orientation Indian	255 (261)	0.04	**0.26**	-0.39 (0.18)	0.59 (0.08)	-0.07 (0.83)	0.23 (0.46)
High Time Orientation Egyptian	236 (250)	0.10	**0.02**	**-1.06** **(0.00)**	0.37 (0.25)	-0.26 (0.43)	0.57 (0.09)

a Model -2 Log Likelihood **b Initial -2 Likelihood**

c Nagelkerke **d Significant value**

Table (6): Summary of Measures

Item	Measures/Source	Area of Application
Increasing salary benefit	- 18-item benefit scale - 3-item overall evaluation scale - (Chadon,Wansink and Laurent,2000)	- Pretest one
Incentive category stimuli	- 4-item monetary index score (Batra and Ahtola,1990)	- Pretest two - Main experiment
Incentive plan stimuli	- Secondary research	- Pretest one - Main experiment
Profit distribution + Piece work	- Secondary research	- Pretest one - Main experiment
Culture	-20-item CVSCALE (Yoo,Donthu and Lenartowicz,2000)	- Main experiment
Shifting to new post	Employee post	- Main experiment

Table (7): Choice Shares for Monetary Promotions at an Ethnic Level

	All Incentives	Tangible Incentives	Intangible Incentives
Power Distance			
Low-Indian	82%	81%	85%
High- Egyptian	80%	70%	93%
(sig. p-value)	(0.51)	(0.01)	(0.05)
Uncertainty Avoidance			
Low-Indian	76%	75%	81%
High- Egyptian	77%	65%	88%
(sig. p-value)	(0.39)	(0.08)	(0.31)
Individualism			
Individualist-Indian	74%	74%	79%
Collectivist-Egyptian	77%	70%	85%
(sig. p-value)	(070)	(0.47)	(0.14)
Self-Esteem			
Feminine-Indian	78%	79%	78%
Masculine-Egyptian	79%	72%	87%
(sig. p-value)	(0.77)	(0.14)	(0.02)
Time Orientation			
Low-Indian	77%	74%	81%
High- Egyptian	79%	71%	87%
(sig. p-value)	(0.62)	(0.47)	(0.13)

Appendix A: The CVSCALE

Cultural Dimension	Measurement Items	5-Point Scale
Power Distance Value	P1. People in higher positions should make most decisions without consulting people in lower positions. P2. People in higher positions should not ask the opinions of people in lower positions too frequently. P3. People in higher positions should avoid social interaction with people in lower positions. P4. People in lower positions should not disagree with decisions by people in higher positions. P5. People in higher positions should not delegate important tasks to people in lower positions.	1= Strongly agree 2= Agree 3= Neither Agree/disagree 4= Disagree 5= Strongly disagree
Uncertainty Avoidance Values	U1. It is important to have instructions spelled out in detail so that I always know what I'm expected to do. U2. It important to closely follow instructions and procedures. U3. Rules and regulations are important because they inform me of what is expected of me.	1= Strongly agree 2= Agree 3= Neither Agree/disagree 4= Disagree

	U4. Standardized work procedures are helpful. U5. Instructions for operations are important.	5= Strongly disagree
Individualism Values	I1. Individuals should sacrifice self-interest for the group (either at school or the work place). I2. Individuals should stick with the group even through difficulties. I3. Group welfare is more important than individual rewards. I4. Group success is more important than individual success. I5. Individuals should only pursue their goals after considering the welfare of the group. I6. Group loyalty should be encouraged even if individual goals suffer.	1= Strongly agree 2= Agree 3= Neither Agree/disagree 4= Disagree 5= Strongly disagree
Self-esteem	S1. It is more important for men to have a professional career than it is for women. S2. Men usually solve problems with logical analysis; women usually solve problems with intuition. S3. Solving difficult problems usually requires an active, forceful approach, which is typical of men.S4. There are some jobs that a man can always do better than a woman.	1= Strongly agree 2= Agree 3= Neither Agree/disagree 4= Disagree 5= Strongly disagree
Time-orientation	T1. Careful Management of money (thrift) T2. Going on resolutely in spite of opposition T3. Personal steadiness and stability T4. Long term planning T5. Giving up today's fun for success in the future T6. Working hard for success in the future	1= Strongly agree 2= Agree 3= Neither Agree/disagree 4= Disagree 5= Strongly disagree

APPENDIX (B): SUMMARY OF MEASURES

1. Increasing salary:

Increasing salary benefits are defined and classified in this study according to the scale developed by Chandon, Wansink and Laurent (2000). The scale indicates six main benefits which can be classified as either extrinsic or intrinsic. Specifically, increasing salary, incentive category, and piece work & profit distribution as monetary, whilst the motivation plan, sales motives effectiveness, and shifting to new post are intrinsic. A direct replication of these classifications is appropriate as the scale has been shown to be valid and maintaining scale consistency can enhance the comparability of final results with the original research. The measures for the pretest are the same 18-item agree/disagree scales used in the original study.

2. Incentive category stimuli:

In measuring the degree of extrinsic and intrinsic of motive category, an adaptation of the scale by Batra and Ahtola (1990) is used. Specifically, motive category is classified as either extrinsic or intrinsic based on a monetary index score. The index consists of 9-point semantic differential scales on two intrinsic items of " fun/not fun " and " Pleasant/unpleasant", and two monetary items of "useful/useless" and "wise/foolish".

3. Incentive plan stimuli:

Examples of extrinsic and intrinsic motives are used as stimuli for both the pretests and the main experiment. Specific examples of motive techniques are used in the main experiment. They are drawn from currently offered motives in the workplace in the UAE to ensure realism. This involved the use of a combination of secondary data and judgment. Consideration is also given to the fact that extrinsic motives will be preferred over intrinsic motives of the same nominal value. This is due to the time value of extrinsic and the psychological effect for both motives.

4. Culture:

Culture is measured using a personality approach based on direct value inference

(Lenartowicz and Roth, 1999). In particular, use is made of the CVSCALE proposed by Yoo, Donthu and lenartowicz (2001).It consist of 26-items, measured by 5-point Likert scales, relating to Hofested's five cultural dimensions. It allows culture to be measured at the individual level and then aggregated to form groups at a chosen level for comparison. This is appropriate as it recognizes that members of a society may not share the same cultural values (Au, 1999) and it allows different ethnic groups within one country to be analyzed. The CVSCALE is useful for analyzing cultural values in a heterogeneous country like the UAE and thus, the scale is particularly relevant for this study. Furthermore, the items of the scale have been adapted to suit the employee context. The CVSCALE has also been applied in cross-cultural research (Yoo and Donthu, 2002). Thus there is strong evidence to support the use of this scale. There are various ways to define and measure the effectiveness of motivation. For the purpose of this study this includes measuring the effectiveness of motivation by management usage of the motive. Therefore motivations are measured by management's decisions, which is a proxy for motives volume. The effectiveness of motivation is then determined by a comparison between the choice shares of motive types across different decisions. This is consistent with Chandon, Wansink and Laurent (2000).

5. Piece work and profit distribution:

There are various ways to define and measure the effectiveness of piece work and profit distribution motives. The measures typically used are short-term measures, as both motives are mostly used to produce short-term effects. For the purposes of this study, the effectiveness of this motive is measured by profit percentage, which is a proxy for revenues volume. The effectiveness of piece work and profit distribution is then determined by a comparison between the choice shares of motive across the industry.

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"Leaders should be able to Stand Alone, Take the Heat, Bear the Pain, Tell the Truth, and Do What's Right."

-- Max DePre

B SEGMENT CARS – A STUDY ON CUSTOMER PERCEPTION AND SATISFACTION

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Abstract

The B segment (small car) is the largest and most competitive in the Indian passenger car industry. The growth in this segment is being driven by the availability of cheaper finance with longer repayment tenures and the cut in excise duties affected over the past three years, which had in turn led to a sharp reduction in the prices of small cars.

The customer attitude towards the preference of small cars alone decides the fate of the business. In this context, a study of this nature is felt relevant and an attempt is being made to analyze their preferences in detail. The study is undertaken in Coimbatore and the size of the sample for the study is 200. Majority of the people are using Swift VDI cars and find television as the most effective media for advertising B-segment cars Majority of the respondents consider Mileage as the most important factor while purchasing the car and are highly satisfied with Power of the car. There is a significant relationship between occupation and satisfaction with loan formalities. Majority of the respondents are highly satisfied with on road service of the dealers.

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Introduction:

The B segment (small car) is the largest and most competitive in the Indian passenger car industry. During 2006-07 sales in this segment constituted more than the half of the total cars sold and about 40 percent of the total passenger vehicles industry (including utility vehicles). The domestic sale of small cars at 3.7 lakh units was about 23 percent over the previous year's 2004-05 sales. The growth in this segment is being driven by the availability of cheaper finance with longer repayment tenures and the cut in excise duties affected over the past three years, which had in turn led to a sharp reduction in the prices of small cars.

In India there is an array of B-segment cars offering everything from C-segment comfort levels to A-segment fuel efficiency levels with various permutations of styling and kit thrown in between. Never has the choice been wider and quality higher. The level of competition is so intense these days that there are really no bad cars. Space , fuel efficiency, looks, ride quality, cornering abilities, refinement, service backup ; all these cars offer permutations and combinations of the

above parameters, but none offer all. Buyers will be familiar with the names on this shopping list as also the cars themselves.

In the automobile business, no company can survive without continually refreshing its product portfolio. As India is getting more and more liberalized we have to create commercial vehicle products that will compete with other products likely to come to India. Tata motor's entry into this small car market entails competition with the well entrenched products.

Marketing of any product whether durable or non-durable involves a systematic and established process through which the business is able to move their products to its consumers. However, there may be significant change in the attitude of consumers while arriving at a decision to buy between durable and non-durable commodities. Car being a non durable product and that involves high cost, involve series of actions by consumers before and for purchase. In the sense, just like that, purchase is not affected. There may be many number of factors that may influence the customer preference such as price, mileage, design, driving comfort, appearance etc., Small car being an innovation, drew the attention of consumers and large part of consumers started buying them initially. Maruti came into market and later on many brands were introduced in small cars models. Now there are at least half a dozen brands which are competing with each other to capture the market. There may be lot of marketing strategies by the manufactures of small cars but the customer attitude towards the preference of small cars alone decides the fate of the above business. In this context, a study of this nature is felt relevant and an attempt is being made to analyze their preferences in detail. The study is undertaken in Coimbatore and the size of the sample for the study is 200, who owned b-segment car. Convenience sampling technique was used in selecting the sample.

Objectives of the study:

- To assess the importance of various factors that influence the buying decision of cars.
- To assess the satisfaction level of the customers with their cars.
- To assess the satisfaction level of customers with the performance of their car dealers in Coimbatore.
- To get the opinion of the customers about the most effective advertising media for b-segment cars.
- To study about the financial assistance given by the dealers and other loan formalities.
- To study about after sales service.

Tools used: The following statistical tools were used to analyze and interpret the data.

- Simple percentage analysis
- Ranking analysis
- Chi-square test
- ANOVA test
- T-test
- Kendall's Coefficient of Concordance

Findings and results

The findings of the study are presented in the following paragraphs.

General profile

The general profile of the respondents is given in Table 1. Out of the 200 respondents taken for the study, 63.5 per cent of them belonged to the age group of 20-30 years, 58 per cent are male and 42 per cent are female. As regards educational qualification, 66 per cent are under-graduates and 34 per cent are doing business. 57 per cent of the respondents have 4 members in their family and 38.5 per cent of the respondents are earning between Rs.10000-20000

Brand and colour of b-segment cars owned

From the Table 2 it is found that 19.5% of the respondents are owning Swift VDI, 18% of the respondents are owning Tata indica, 15.5% of the respondents are owning Cheverolet spark, 14.5% of the respondents are owning Maruti wagon-R, 11.5% of the respondents are owning Maruti Alto, 10.5% of the respondents are owning Hyundai i10 and 10.5% of the respondents are owning Santro xing. 28.5% of the respondents are owning white color car, 26.5% of the respondents are owning grey color, 22% of the respondents are owning black color, 17% of the respondents are owning Red color, and 6% of the respondents are owning Blue color.

Purpose & usage

Table 3 gives information regarding purpose and usage of B segment cars. It is observed from the table that 63% of the respondents use their car for both business and personal purpose, 31.5% of the respondents use their car for personal purpose and 5.5% of the respondents use their car for business purpose. 53% of the respondents are using their car for the past 3 years, 26.5% of the respondents are using their car for 3 years & above and 20.5% of the respondents are using their car for Less than 1 year.

66.5% of the respondents use their car for both Long distance commuting and In town commuting, 18.5% of the respondents use their car for In town commuting and 15% of the respondents use their car for Long distance commuting. It is found that 44.5% of the respondents use their car for 30-50 kms, 34% of the respondents use their car for Less than 30 kms, 16.5% of the respondents use their car for 50-100 kms and 5% of the respondents use their car for 100 & above kms per day.

Important factors considered while purchasing the car

The Table 4 describes that the respondents consider Mileage (mean 3.01) as the most important factors while purchasing the car. This is followed by Price(3.34), Comfort(4.57), Space(5.35), Brand image(5.51), Power(6.43), Style(6.91), Resale value(7.24), Color option(7.57), Safety features(7.93) and Finance facility(8.15). There is a moderate level of agreement among the respondents in assigning ranks to the items. Majority of the respondents consider Mileage as the most important factors while purchasing the car.

Satisfaction level of car purchased

From the Table 5 it is found that most of the respondents are highly satisfied with Power (mean 3.3550). This is followed by Driving comfort(3.2200), Quality(3.1800), Maintenance(3.1350), Handling(3.0450), Technology(3.0350), Air condition(3.0200), Mileage(3.0050), Safety(2.9950), Space(2.8550) and Braking(2.8250). Majority of the respondents are highly satisfied with Power of the car.

Anova for overall satisfaction of car owned

Hypothesis:

There is no significant difference among the personal factor groups in the average satisfaction score of car owned.

One way ANOVA was applied to find whether there is significant difference among the age groups in the average satisfaction scores. The ANOVA result shows that the calculated F – ratio value less than the table value at 5% level of significance for age group, education, monthly family income, B segment car owned and kilometers traveled per day. Hence the hypothesis is accepted. The calculated value is higher than the table value in case of occupation and years of usage, hence it is inferred that there is significant difference among the occupation groups and years of usage in the average satisfaction scores. Hence the hypothesis is rejected in these two factors.

T –test for overall satisfaction of car owned

Hypothesis:

There is no significant difference between male and female in the average satisfaction scores.

The t-test was applied to find whether there is significant difference between male and female in the average satisfaction scores. The calculated t-test value is 0.820 which is less than the table value of 1.972 at 5% level of significance. Since the calculated value is less than the table value it is inferred that there is no significant difference between male and female in the average satisfaction

scores. Hence the hypothesis is accepted.

Satisfaction level of car dealer

From the Table 8 it is found that most of the respondents are highly satisfied with Ambience and location (mean 3.2400). This is followed by Explanation of features(3.1550), Test drive offered(3.1200), Courtesy of staff(2.9950), Workmanship(2.9750), Availability of spares(2.9700), Registration formalities(2.9300), Problem diagnosis(2.9150), Speedy service(2.9000) and Finance arrangement(2.7950).

Source and effective media of advetisement

The source and effective media of advertisement is given in the Table 9. It is found that 47.5% of the respondents are aware through Advertisements, 27.5% of the respondents are aware through Relatives, 19% of the respondents are aware through Friends. 65% of the respondents considered Television as the most effective media, 12% of the respondents considered Newspaper and 11.5% of the respondents considered Magazines as an effective media.

29.5% of the respondents are attracted by Cheverolet spark advertisement , 16.5% of the respondents are attracted by advertisement of Hyundai i10, 15.5% of the respondents are attracted by Swift VDI , 12.5% of the respondents are attracted by Maruti Wagon-R.9% of the respondents are attracted by Santro Xing and 5.5% of the respondents are attracted by Maruti Alto advertisement.

Mode of purchase of the car

From the Table 10 it is found that 51% of the respondents purchase their car by Cash, 38% of the respondents purchased their car through loan from Private Banks and 11 % of the respondents purchased their car through loan from Govt. banks**.** 83.5% of the respondents have not availed any discount and offers while purchasing the car and 16.5% of the respondents have availed discount and offers. out of 33 respondents who have availed discounts, it is found that 54.5% of the respondents are aware of the discounts and offers through Television, 27.3% of the respondents are aware through Newspapers and 18.2% of the respondents are aware through Friends & relatives.

LOAN FACILITY AVAILED

The details regarding the loan facilities availed are presented in Table 11. It is found that 50.5% of the respondents have not availed with any loan facility and 49.5% of the respondent's availed loan for the purchase of car. 43.4% of the respondents availed loan through Own arrangement,

27.3% of the respondents availed loan

through Dealers bank, 22.2% of the respondents availed loan through Dealers recommendation and 7.1% of the respondents availed loan From the dealers. 61.6% of the respondents are highly satisfied with loan formalities, 21.2% of the respondents are neither satisfied nor dissatisfied, 9.1% of the respondents are dissatisfied and 8.1% of the respondents are highly satisfied with loan formalities.

Chi-square test - satisfaction with loan formalities.

Hypothesis:

There is no significant relationship between source of loan, occupation, monthly family income, car owned and satisfaction with loan formalities.

Chi-square test is applied to find whether there is significant relationship between the above factors and satisfaction with loan formalities and given in Table 12. The calculated value of chi-square is less than the table value at 5% level of significance in case of source of loan, monthly family income, car owned. Hence the hypothesis is accepted. In case of occupation the calculated value of chi-square is 23.340 which are higher than the table value of 21.026 at 5% level of significance. Since the calculated is higher than the table value it is inferred there is significant relationship between occupation and satisfaction with loan formalities. Hence the hypothesis is rejected.

Intention of customers to replace the CA

From the Table 13 it is found that 59.5% of the respondents have no intention to replace their car and 40.5% of the respondents have an intention to replace their car in the near future. 63% of the respondents preferred to upgrade to the next level and 37% of the respondents preferred to purchase another B-segment cars.

Satisfaction level in after sales service of dealers

Table 14 shows the satisfaction level of the respondents about the after sales service. It is found that most of the respondents are highly satisfied with On road service (mean 3.0850).This is followed by Employee service (2.9200), Time consumption (2.8250), Water service (2.7950) and Wheel alignment (2.7550). Majority of the respondents are highly satisfied with on road service.

Anova for overall satisfaction of after sales service

Hypothesis:

There is no significant difference among the personal factor groups in the average satisfaction score.

The ANOVA result shows that the calculated F – ratio value is less than the table value at 5% level of significance. Since the calculated

value is less than the table value it is inferred that there is no significant difference among the personal factor groups in the average satisfaction scores. Hence the hypothesis is accepted.

T-test for overall satisfaction of after sales service

Hypothesis:

There is no significant difference between male and female in the average satisfaction scores.

The calculated t-test value is 1.433 which is less than the table value of 1.972 at 5% level of significance. Since the calculated value is less than the table value it is inferred that there is no significant difference between male and female in the average satisfaction scores. Hence the hypothesis is accepted.

Conclusion

From the study it is concluded that majority of the people are using swift VDI cars and find television as the most effective media for advertising B-segment cars. It was found that the respondents consider Mileage as the most important factor while purchasing the car and most of the respondents are highly satisfied with ambience and location of the dealer. Majority of the respondents has not faced with any problem during guarantee period. From the study it was found that most of the respondents are highly satisfied with on road service. There is significant relationship between occupation and satisfaction with loan formalities.

It is true fact that if you are satisfied you recommended to others. Word of mouth and customer satisfaction play a very important role in determining market perception about an automobile. It is the market perception that determines the success of a company and so it is very important for the car manufacturers to measure the "willingness of existing users of a product to recommend it to others". The same is a lot of interest to customers as well for it helps them make the purchase decision.

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TABLE 1 – GENERAL PROFILE

PARTICULARS	CLASSIFICATION	No.	Percentage
Age group	20-30 yrs	127	63.5
	30-40 yrs	48	24.0
	40 & above	25	12.5
Gender	Male	116	58.0
	Female	84	42.0
Educational Qualification	School level	25	12.5
	Under graduate	132	66.0
	Post graduate	37	18.5
	Professional	6	3.0
Occupation	Business	68	34.0
	Professional	21	10.5
	Employed	49	24.5
	Agriculture	21	10.5
	Student	41	20.5
No. of family members	2	6	3.0
	3	34	17.0
	4	114	57.0
	5 & above	46	23.0
Family monthly income	Up to Rs.10000	34	17.0
	Rs.10000-20000	77	38.5
	Rs.20000-40000	53	26.5
	Above Rs.40000	36	18.0

TABLE 2 - BRAND AND COLOUR OF B-SEGMENT CARS OWNED

BRAND & COLOUR	CLASSIFICATION	No.	Percentage
Brand of B Segment Car	Swift VDI	39	19.5
	Tata indica	36	18.0
	Santro xing	21	10.5
	Maruti wagon-R	29	14.5
	Maruti Alto	23	11.5
	Hyundai i10	21	10.5
	Cheverolet spark	31	15.5
Color of the Car	White	57	28.5
	Black	44	22.0
	Red	34	17.0
	Grey	53	26.5
	Blue	12	6.0

TABLE 3 - PURPOSE & USAGE

PURPOSE & USAGE	CLASSIFICATION	No.	Percent
Purpose	Business	11	5.5
	Personal	63	31.5
	Both	126	63.0
Years of usage	Less than 1 yr	41	20.5
	1 to 3 yrs	106	53.0
	3 yrs & above	53	26.5
Type of commuting	In town commuting	37	18.5
	Long distance commuting	30	15.0
	Both	133	66.5
Kilometers traveled per day	Less than 30	68	34.0
	30-50	89	44.5
	50-100	33	16.5
	100 & above	10	5.0

TABLE 4 - IMPORTANT FACTORS CONSIDERED WHILE PURCHASING THE CAR

FACTORS		Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6	Rank 7	Rank 8	Rank 9	Rank 10	Rank 11	TOTAL
Mileage	**No**	68	58	21	5	20	8	6		2	6	6	200
	%	34.0	29.0	10.5	2.5	10.0	4.0	3.0		1.0	3.0	3.0	100.0
Price	**No**	49	44	34	23	17	8	13	4	2	3	3	200
	%	24.5	22.0	17.0	11.5	8.5	4.0	6.5	2.0	1.0	1.5	1.5	100.0
Comfort	**No**	15	30	50	28	21	11	5	11	14	7	8	200
	%	7.5	15.0	25.0	14.0	10.5	5.5	2.5	5.5	7.0	3.5	4.0	100.0
Space	**No**	5	16	32	46	24	13	19	15	9	10	11	200
	%	2.5	8.0	16.0	23.0	12.0	6.5	9.5	7.5	4.5	5.0	5.5	100.0
Brand image	**No**	16	13	17	28	28	37	16	13	11	12	9	200
	%	8.0	6.5	8.5	14.0	14.0	18.5	8.0	6.5	5.5	6.0	4.5	100.0
Power	**No**	7	8	9	15	24	48	25	21	19	10	14	200
	%	3.5	4.0	4.5	7.5	12.0	24.0	12.5	10.5	9.5	5.0	7.0	100.0
Resale value	**No**	1	10	6	18	19	20	37	22	12	25	30	200
	%	.5	5.0	3.0	9.0	9.5	10.0	18.5	11.0	6.0	12.5	15.0	100.0
Style	**No**	14	6	10	15	10	16	30	39	19	24	17	200
	%	7.0	3.0	5.0	7.5	5.0	8.0	15.0	19.5	9.5	12.0	8.5	100.0
Safety feature	**No**	5	5	9	4	13	16	9	31	49	35	24	200
	%	2.5	2.5	4.5	2.0	6.5	8.0	4.5	15.5	24.5	17.5	12.0	100.0
Finance facility	**No**	4	7	4	7	15	14	14	17	38	44	36	200
	%	2.0	3.5	2.0	3.5	7.5	7.0	7.0	8.5	19.0	22.0	18.0	100.0
Color option	**No**	16	3	8	11	9	9	26	27	25	24	42	200
	%	8.0	1.5	4.0	5.5	4.5	4.5	13.0	13.5	12.5	12.0	21.0	100.0

Ranks

FACTORS	Mean Rank	Rank
Mileage	3.01	1
Price	3.34	2
Comfort	4.57	3
Space	5.35	4
Brand image	5.51	5
Power	6.43	6
Resale value	7.24	8
Style	6.91	7
Safety features	7.93	10
Finance facility	8.15	11
Color option	7.57	9

Kendall's Coefficient of Concordance

Kendall's W	.292

TABLE 5 - SATISFACTION LEVEL OF CAR PURCHASED

FACTORS		Excellent	Good	Average	Poor	Mean	Std. Deviation
Power	**No.**	83	105	12	-	3.3550	.5922
	%	41.5	52.5	6.0	-		
Quality	**No.**	58	120	22	-	3.1800	.6078
	%	29.0	60.0	11.0	-		
Driving comfort	**No.**	75	94	31	-	3.2200	.6957
	%	37.5	47.0	15.5	-		
Space	**No.**	45	90	56	9	2.8550	.8169
	%	22.5	45.0	28.0	4.5		
Technology	**No.**	60	91	45	4	3.0350	.7790
	%	30.0	45.5	22.5	2.0		
Mileage	**No.**	57	96	38	9	3.0050	.8113
	%	28.5	48.0	19.0	4.5		
Handling	**No.**	58	97	41	4	3.0450	.7589
	%	29.0	48.5	20.5	2.0		
Maintenance	**No.**	73	84	40	3	3.1350	.7809
	%	36.5	42.0	20.0	1.5		
Safety	**No.**	55	95	44	6	2.9950	.7862
	%	27.5	47.5	22.0	3.0		
Braking	**No.**	40	95	55	10	2.8250	.8047
	%	20.0	47.5	27.5	5.0		
Air-condition	**No.**	69	77	43	11	3.0200	.8852
	%	34.5	38.5	21.5	5.5		

TABLE 6 - ANOVA FOR OVERALL SATISFACTION OF CAR OWNED

Personal factors	Source of variation	Sum of Squares	df	Mean Square	F	Sig.
AGE GROUP	Between Groups	42.041	2	21.021	1.470	Ns
	Within Groups	2816.179	197	14.295		
	Total	2858.220	199			
EDUCATION LEVEL	Between Groups	50.347	3	16.782	1.171	Ns
	Within Groups	2807.873	196	14.326		
	Total	2858.220	199			
OCCUPATION	Between Groups	153.049	4	38.262	2.758	*
	Within Groups	2705.171	195	13.873		

	Total	2858.220	199			
MONTHLY FAMILY INCOME	Between Groups	46.216	3	15.405	1.074	Ns
	Within Groups	2812.004	196	14.347		
	Total	2858.220	199			
B SEGMENT CAR OWNED	Between Groups	37.876	6	6.313	.432	Ns
	Within Groups	2820.344	193	14.613		
	Total	2858.220	199			
YEARS OF USAGE	Between Groups	136.420	2	68.210	4.937	**
	Within Groups	2721.800	197	13.816		
	Total	2858.220	199			
KILOMETERS TRAVELLED PER DAY	Between Groups	14.189	3	4.730	.326	Ns
	Within Groups	2844.031	196	14.510		
	Total	2858.220	199			

TABLE 7 - T TEST FOR OVERALL SATISFACTION OF CAR OWNED

Gender	**Overall satisfaction of car owned**		
	Mean	**S.D**	**No.**
Male	33.48	3.86	116
Female	33.93	3.70	84
TOTAL	33.67	3.79	200

t-test for Equality of Means

t	**df**	**Sig.**
0.820	198	Ns

"When the best things are not possible, the best may be made of those that are."

- Richard Hooker

TABLE 8 - SATISFACTION LEVEL OF CAR DEALER

FACTORS		Excellent	Good	Average	Poor	Mean	Std. Deviation
Ambience and location	No.	70	110	18	2	3.2400	.6516
	%	35.0	55.0	9.0	1.0		
Explanation of features	No.	53	127	18	2	3.1550	.6106
	%	26.5	63.5	9.0	1.0		
Test drive offered	No.	75	75	49	1	3.1200	.7929
	%	37.5	37.5	24.5	.5		
Problem diagnosis	No.	47	99	44	10	2.9150	.8069
	%	23.5	49.5	22.0	5.0		
Speedy service	No.	56	74	64	6	2.9000	.8447
	%	28.0	37.0	32.0	3.0		
Workmanship	No.	58	86	49	7	2.9750	.8233
	%	29.0	43.0	24.5	3.5		
Courtesy of staff	No.	58	85	55	2	2.9950	.7798
	%	29.0	42.5	27.5	1.0		
Availability of spares	No.	56	94	38	12	2.9700	.8442
	%	28.0	47.0	19.0	6.0		
Finance arrangement	No.	38	93	59	10	2.7950	.8039
	%	19.0	46.5	29.5	5.0		
Registration formalities	No.	53	94	39	14	2.9300	.8595
	%	26.5	47.0	19.5	7.0		

TABLE 9 - SOURCE AND EFFECTIVE MEDIA OF ADVETISEMENT

SOURCE & MEDIA	Classification	No.	Percentage
Source of awareness	Friends	38	19.0
	Relatives	55	27.5
	Advertisements	95	47.5
	Others	12	6.0
Most effective media	Newspaper	24	12.0
	Television	130	65.0
	Radio	7	3.5

	Magazines	23	11.5
	Hoardings	16	8.0
Attracted Through Advertisement	Swift VDI	31	15.5
	Tata indica	23	11.5
	Santro Xing	18	9.0
	Maruti Alto	11	5.5
	Maruti Wagon-R	25	12.5
	Hyundai i10	33	16.5
	Cheverolet spark	59	29.5

TABLE 10 - MODE OF PURCHASE OF THE CAR

MODE	Classification	No.	Percentage
Mode of purchase	Cash	101	51.0
	Private banks	76	38.0
	Govt. banks	23	11.0
Discount and offers availed	Yes	33	16.5
	No	167	83.5
Source of awareness about discount and offers	Newspapers	9	27.3
	Television	18	54.5
	Friends & relatives	6	18.2

TABLE 11 - LOAN FACILITY AVAILED

Loan details	Classification	No.	Percentage
Availed loan	Yes	99	49.5
	No	101	50.5
Source of loan	Own arrangement	43	43.4
	Dealers bank	27	27.3
	Dealers recommendation	22	22.2
	From the dealers	7	7.1
Satisfaction with loan formalities	Highly Satisfied	8	8.1
	Satisfied	61	61.6
	Neutral	21	21.2
	Dissatisfied	9	9.1

TABLE 12 - CHI-SQUARE TEST - SATISFACTIONS WITH LOAN FORMALITIES.

Factors	Table value	Chi-square Value	Degree of freedom	Significance
Source of Loan	16.919	13.551	9	Ns
Occupation	21.026	23.340	12	*
Monthly Family Income	16.919	11.047	9	Ns
B-segment car owned	28.869	15.096	18	Ns

TABLE 13 - INTENTION OF CUSTOMERS TO REPLACE THE CAR

Replace	classification	No.	Percentage
Willingness to replace	Yes	81	40.5
	No	119	59.5
Replace by	B-segment car	30	37.0
	Upgrade to the next level	51	63.0

TABLE 14 - SATISFACTION LEVEL IN AFTER SALES SERVICE OF DEALERS

FACTORS		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	Mean	Std. Deviation
On road service	**No.**	51	114	32	2	1	3.0850	.6857
	%	25.5	57.0	16.0	1.0	.5		
Employee service	**No.**	34	112	50	2	2	2.9200	.7043
	%	17.0	56.0	25.0	1.0	1.0		
Water service	**No.**	35	91	64	8	2	2.7950	.8101
	%	17.5	45.5	32.0	4.0	1.0		
Wheel alignment	**No.**	39	82	54	21	4	2.7550	.9537
	%	19.5	41.0	27.0	10.5	2.0		
Time consumption'	**No.**	41	76	54	20	9	2.8250	1.0147
	%	20.5	38.0	27.0	10.0	4.5		

"Most of the important things in the world have been accomplished by people who have kept on trying when there seemed to be no hope at all."

-Dale Carnegie

TABLE 15 - ANOVA FOR OVERALL SATISFACTION OF AFTER SALES SERVICE

Personal Factors	Source of variation	Sum of Squares	df	Mean Square	F	Sig.
AGE GROUP	Between Groups	9.567	2	4.783	1.089	Ns
	Within Groups	865.553	197	4.394		
	Total	875.120	199			
EDUCATIONAL LEVEL	Between Groups	20.618	3	6.873	1.576	Ns
	Within Groups	854.502	196	4.360		
	Total	875.120	199			
OCCUPATION	Between Groups	32.030	4	8.008	1.852	Ns
	Within Groups	843.090	195	4.324		
	Total	875.120	199			
MONTHLY FAMILY INCOME	Between Groups	30.686	3	10.229	2.374	Ns
	Within Groups	844.434	196	4.308		
	Total	875.120	199			
B SEGMENT CAR OWNED	Between Groups	15.286	6	2.548	.572	Ns
	Within Groups	859.834	193	4.455		
	Total	875.120	199			
YEARS OF USAGE	Between Groups	7.872	2	3.936	.894	Ns
	Within Groups	867.248	197	4.402		
	Total	875.120	199			
KILOMETERS TRAVELLED PER DAY	Between Groups	14.441	3	4.814	1.096	Ns
	Within Groups	860.679	196	4.391		
	Total	875.120	199			

TABLE 16 - T-TEST FOR OVERALL SATISFACTION OF AFTER SALES SERVICE

Gender	Overall satisfaction of After Sales Service		
	Mean	**S.D**	**No.**
Male	14.56	2.07	116
Female	14.13	2.12	84
TOTAL	14.38	2.10	200

t-test for Equality of Means

t	**df**	**Sig.**
1.433	198	Ns

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"All our dreams can come true - if we have the courage to pursue them."

- Walt Disney

ROR

ACHIEVING CUSTOMER DELIGHT THROUGH EMPLOYEES SATISFACTION

***Dr. Pradip Ghorpade**

Abstract:

Increasing competition (whether for-profit or nonprofit) is forcing businesses to pay much more attention to satisfying customers. It has been found that from years after years one aspect of business is often considered the most important: the customer, on which the quality managers need to focus. As markets shrink, companies are scrambling to boost customer satisfaction and keep their current customers rather than devoting additional resources to chase potential new customers. Employee satisfaction is a measure of how happy workers are with their job and working environment. Keeping morale high among workers can be of tremendous benefit to any company, as happy workers will be more likely to produce more, take fewer days off, and stay loyal to the company. There are many factors in improving or maintaining high employee satisfaction, which wise employers would do well to implement. There is certain kind of connection between employee satisfaction and customer satisfaction, and achieving both of them is really a very critical matter. One major goal of this research paper is to emphasize this linkage of employee satisfaction and customer satisfaction and its overall impact so that the managers will try to improve the satisfaction level of employees, in order to achieve the ultimate goal of customer satisfaction. The fact is that the employees satisfaction are fundamental requirement to have customer satisfaction, and satisfied customers are many times more likely to be repeat buyers than dissatisfied or even moderately satisfied customers!

Key Words: Customer Satisfaction, Employee satisfaction and service quality

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Introduction

It has been found that from years after years one aspect of business is often considered the most important: the customer, on which the quality managers need to focus. Everybody knows this truth that customer is the king and without customers a business cannot continue to exist. But at times this over emphasis on the king of the market i.e. "customer" may extricate us from the fundamental resource that makes it possible to satisfy the customer who is none other than the employee of the business!

It is crystal clear that without employees the business's simply could not exist. Just one person (he could be anybody the originator, inventor, or entrepreneur) cannot drive a business by own, for this people are needed. Irrespective of the size of the organization, the *employees* are the one who will be ultimately responsible for dealing with customers, either face to face, on the telephone, through correspondence, or on the company website. To the customer, your employees are the organization.

Here the question arises that what does employee satisfaction have to do with the idea that without customers a business cannot exist? The answer is through employee satisfaction customer satisfaction can be achieved. But a company or a business cannot achieve customer satisfaction with unsatisfied employees.

There is certain kind of connection between employee satisfaction and customer satisfaction, and achieving both of them is really a very critical matter. One major goal of this research paper is to emphasize this linkage of employee satisfaction and customer satisfaction and its overall impact so that the managers will try to improve the satisfaction level of employees, in order to achieve the ultimate goal of customer satisfaction. But unfortunately it was found that these managers or consultants avert this correlation to senior management, and the worst part is that it is very difficult to sell this idea of employee satisfaction to these managers.

The Links Between Customer and Employee Satisfaction

It has been proved by many researches that one key to achieve customer satisfaction is employee satisfaction. However it has been found that the organizations with a quality foundation are have comparatively high level of customer satisfaction and the reason behind achieving the higher level of

Kozzani and Oakley, 5,568 employees across 90 companies and 37,036 of their customers it was found that organizational customer satisfaction is their focus on employee satisfaction. According to Bernhardt, Donthub, and Kennette, there is a "positive and significant relationship between customer satisfaction and employee satisfaction" and according to Brown and Lam these relationships are "positive, statistically and substantively significant". As per the study conducted by Yee, Yeung, and Cheng "Employee satisfaction is significantly related to service quality and to customer satisfaction, while the latter in turn influences firm profitability…leading to a satisfaction-quality-profit cycle".

Thus we can say that satisfied employees are more productive, innovative and loyal, which in turn leads to customer satisfaction and retention and of course, dissatisfied employees will likely *lower* customer satisfaction. Thus, employee satisfaction therefore becomes a critical leading indicator. We can also interpret from this is that employee satisfaction plays a "strong, central role" in predicting profitability and organizational effectiveness.

It is important to understand the elements that drive employee satisfaction the direct links between employee satisfaction and customer satisfaction, and between customer satisfaction and improved financial performance. Then only management can take actions to enhance these drivers. From the study conducted by one of the well known scientists

communication, employee engagement, and organizational culture are the three It is very much necessary to have feedback of every employee who is working in an organization for increasing employee sensitivity to managerial and unit performance and for enhancing managers' attention to behaviors that influence departmental performance and customer satisfaction. This feedback needs to include employee empowerment and "input in evaluating success, along with management response to these inputs.

A practical management question arises that: How do we connect employee and customer satisfaction and how do we develop each one of them more effectively and efficiently? Unfortunately, there is no customary answer to this question. As the Corporate Leadership Council report points out, "companies must build their own models because customer satisfaction is only one variable in understanding the relationship between employee satisfaction, customer satisfaction and financial performance. Moreover, each company must determine how it defines employee satisfaction and customer satisfaction, which can even differ between departments and business units within one company" (Corporate Leadership Council, 2003, p. 2). The critical issue is that customer satisfaction improvement efforts do not ignore this

work speculating when *their* last day will be! This is certainly not a motivating environment, and here the managers are not likely to encourage their employees to invest their time and energy into satisfying customers.

relationship.

Driving Customer and Employee Satisfaction

Thus, for the success of an organization employee satisfaction plays a key role and but still an organization lacks in the field of measuring or growing employee satisfaction, what are we doing to improve it? At the initial level are we measuring the employee satisfaction levels? It has been found that there are very handful of organizations which hardly conduct employee satisfaction surveys, along with incorporating suggestions-for-improvement opportunities and that too they do it often anonymously, so as to avoid skewing responses. And if this is the case do you use the feedback to create improvements? If organizations have gone this far, do they complete the circle by telling their employees that they are taking steps toward improvement thanks to their feedback? But all these practices remain just on paper. Infact considering the impact of these steps employee satisfaction has on the business, all the organizations should be doing all of these things.

The well-known phrase, "our most important asset is our people" is used frequently in almost every organization but without real conviction. Otherwise, far fewer organizations would economize their all resources whenever there is a short-term profit pressure. Indeed, downsizing would be the last option if people really are the company's most important asset. Instead, with downsizing it is evident that business leaders are not giving much consideration to the workers. These workers keep on doing their routine

happens. In such a situation, it is always better not to conduct the survey for employee satisfaction because it creates expectations in

There is a need to take a pause for a moment and consider a few questions that greatly affect the business, because it reflects an organization treat its employees:

•When was the last time when management told an individual employee how much he/she is valued for the organization?

•When was the last time management has informed its employees that the company is made stronger by their good work?

•When was the last time management asked—and found out—just what its employees, including blue and white collar both, think of the organization and heard their thoughts about improving the company?

Workers will really become organizations "most important asset" only when they do all these things practically.

Conducting employee satisfaction surveys, occasionally or regularly—but with no follow-up is simply going through a losing path. It was found that usually employees do provide feedback,as and when asked for but nothing ever

the minds of the employees that they will be heard and that their suggested changes will be implemented soon. The management should keep in mind that doing this company leaders are hurting morale, and harming employee satisfaction—and possibly compromising customer satisfaction as result.

Hence it is advisable for every organization that they should do a frank self-assessment of themselves first before sending out yet another employee satisfaction survey or give employees a chance to make suggestions for improvement. Think about the fact that is organization truly willing to take those comments, consider their implications, and make hard decisions to make changes wherever needed? The bottom line is that there is a need of commitment from an organization to take the feedback onboard, to get prepared to hear things which they may not like, and to be ready to make changes as and when possible. If an organization know thinks that they will simply dismiss any comments that are counter to their positive feelings about themselves or their systems, then they should save their time, energy, and money and drop the idea of conducting a survey, it will be a extravagant attempt.

Employee satisfaction and service quality

It is illustrated that satisfied employees are more likely to work harder and provide better services via organizational citizenship behaviors. Employees who are satisfied with their jobs tend to be more involved in their employing organizations, and more dedicated to delivering services with a high level of quality. Previous research has also suggested relation-ships evolve over time into trusting, loyal, and mutual commitments.

In the context of social exchange theory, when an employer offers favorable working conditions that make its service employees satisfied, the latter will in return tend to be committed to making an extra effort to the

that loyal employees are more eager to and more capable of delivering a higher level of service quality. Researchers have argued that service quality is influenced by job satisfaction of employees. It has been found during the survey that at job satisfaction felt by customer-contact employees is associated with service quality.

The argument that employee satisfaction improves service quality is grounded on the theory of equity in social exchanges. Although there are different views on social exchange theory, theorists agree that social exchange involves a series of interactions to generate obligations that are unspecified. These interactions are usually seen as independent of the actions of another person. The underlying reason is that an exchange requires a bidirectional transaction something is given and something is returned. The transaction also has the potential of generating high-quality relationships among the parties involved. The underlying assumption of equity in social exchanges is that most people expect social justice or equity to prevail in interpersonal transactions. An individual accorded some manner of social gift that is inequitably in excess of what is anticipated will experience gratitude and feel an obligation to reciprocate the supporter. Such positive reciprocal

Hypothesis 2. Service quality has a positive influence on customer satisfaction.

Employee satisfaction and customer satisfaction

Research in consumer psychology has shown that exposing customers to happy employees results in customers having a positive attitudinal bias towards a product. Likewise, research in organizational behavior has revealed that the hostility of service employees has a direct impact on the aggressive mood of customers, leading to customer dissatisfaction regardless of the performance of the core tasks of the services organization as a means of reciprocity for their employer, leading to a higher level of service quality. Based on the theory of equity in social exchanges, we hypothesize that employee satisfaction leads to higher service quality. Hence,

Hypothesis 1. Employee satisfaction has a positive influence on service quality.

Service quality and customer satisfaction

Many researchers have studied the relationship between service quality and customer satisfaction. Prior studies have considered service quality as an antecedent of customer satisfaction. Empirical findings showed that service quality is related to customer. Customers who are satisfied with the perceived service quality will have a favorable emotional response, i.e., customer satisfaction. Research in service marketing considers customer satisfaction as an affective construct. The emotional nature of customer satisfaction directly affects behavioral intentions of repurchases and referrals.

When applied to service encounters, the framework infers that a favorable cognitive service quality evaluation, i.e., appraisal, leads to a primarily emotional satisfaction assessment. Hence the following hypothesis that service quality affects customer satisfaction has been suggested.

Hypothesis 3. Employee satisfaction has a positive influence on customer satisfaction.

Methodology

Sample

This study focuses on small firms from high-contact service industries in Nagpur. 12 main shopping areas in Nagpur were identified and randomly five major shopping centers or avenues from each area were selected.

delivered to fulfill customer needs.

The direct relationship between employee satisfaction and customer satisfaction is established based on the theory of emotional contagion. Emotional contagion is defined as the tendency of a person to automatically mimic and synchronize expressions, postures, and vocalizations with those of another person and, consequently, to converge emotionally. This process occurs through the conscious or unconscious induction of emotion states and behavioral attitudes.

Accordingly, we assume that when customers are exposed to the emotional displays of employees, they experience corresponding changes in their own affective status. Service employees with a high level of job satisfaction will appear to the customer more balanced and pleased with their environment, leading to positive influence on the level of customer satisfaction. In contrast, dissatisfied service employees are likely to display unpleasant emotions to customers, reducing the level of customer satisfaction through emotional contagion. Based on this argument, the following hypothesis is made:
readability were made. Specific type of survey packets were prepared, which included a ‘‘shop-in-charge’’ questionnaire and two ‘‘service employee’’ questionnaires. The persons in charge of a shop are responsible for answering questions on customer satisfaction and firm profitability. They are normally the shop proprietors or shop managers with the ultimate responsibility for profits, and thus are capable of providing very reliable financial information.

Service employees refer to staff members who are directly responsible for service deliveries in shops.

Sample size of firm was kept limited having two to five service employees. Service employees are defined as customer-contact persons whose major responsibility is serving customers and selling products in shops. Being small organizations, their employee satisfaction level tends to be more consistent and easier to capture. Large chain stores were avoided as customer satisfaction of such firms is more likely reflected at the corporate level rather than at an individual shop. That is, customer satisfaction with a particular store at a certain location might not make the customer loyal to that particular shop. Instead, customer satisfaction with a particular shop might only contribute to customers' overall loyalty to the whole chain. Nevertheless, we intended to cover different types of service shops to strengthen the generalizability of our study.

Data collection procedures

A pilot study with eight different types of service shops was conducted, through which relevance of the measurement indicators to their corresponding constructs, appropriateness of the questionnaire wording, and the clarity of the instructions to fill in the survey was verified. After completing the pilot study, minor modifications to the questionnaire in order to improve its validity and
They therefore are relevant informants of employee satisfaction and service quality.
Two service employees in each shop were covered in each survey. Our questionnaire was developed in English and translated to Hindi and Marathi.

Although customers are more preferred to be the informants of customer satisfaction, empirical findings from similar studies have demonstrated that internal and external measures of customer satisfaction are highly correlated, justifying the study's use of internal measures of customer satisfaction.

Data analysis and results

Structural equations modeling (SEM) test was applied. The results of the measurement models analysis, structural models analysis, hypothesis testing, and comparison of competing models are presented:

	Factor 1 (employee satisfaction)	Factor 2 (service quality)
Satisfaction with salary	0.820	0.092
Satisfaction with promotion opportunities	0.862	0.094
Satisfaction with job nature	0.748	0.244
Satisfaction with relationships with fellow workers	0.598	0.305
Service quality—tangibles	0.224	0.686
Service quality—reliability	0.116	0.770
Service quality—responsiveness	0.141	0.622
Service quality—assurance	0.244	0.764
Service quality—empathy	0.077	0.601

One-factor test of customer satisfaction and firm profitability

	Factor 1 (customer satisfaction)	Factor 2 (firm profitability)
Price	0.766	0.087
Enquiry service	0.878	0.118
Customer service in transactions	0.866	0.119
Service handling of dissatisfaction	0.823	0.129
Overall profitability	0.126	0.857
Return of assets	0.097	0.891
Return of sales	0.102	0.931
Return on investment	0.160	0.891

Convergent validity can be assessed by the significance of the t-values for item loadings, construct (composite) reliability, and average variance extracted (AVE). All the item loadings for the constructs were significant, with t-values higher than 7.66 ($p < 0.001$). All the measures of our instrument were found to be highly reliable with construct reliability greater than 0.8. The values of construct reliability ranged from 0.833 for service quality to 0.945 for firm profitability. The AVE values were all above the suggested criterion of 0.5 with a the perfect correlation of 1.0, the chi-square values increased by at least 259.285. With an increase in one degree of freedom, these chi-square values were highly significant at $p = 0.01$ (Dx^2 □ 6.635). In addition, discriminant validity GFI (Goodness of fit index) = 0.928, AGFI(Adjusted goodness of fit index) = 0.904, CFI(Comparative fit index) = 0.990, NFI(Normed fit index) = 0.940, NNFI (Non-normed fit index) = 0.989 and RMSR(Root mean square residual) = 0.030. All the four hypothetical relationships were supported at the significance level of $p = 0.01$. The estimate of the standardized path coefficient (P) indicates that the linkage between employee satisfaction and service quality is highly significant ($P = 0.423$, $t = 4.778$, $p < 0.001$). Both employee satisfaction and service quality have a significant and direct impact on customer satisfaction, supporting Hypothesis 2 ($P = 0.287$, $t = 3.333$, $p<0.001$) and Hypothesis 3($P = 0.234$, $t = 2.77$, $p<0.01$), respectively.

exists if the AVEs of two constructs are greater than their squared correlation.

Above tables show the results of the analysis of the individual measurement models of the four constructs. The values of absolute fit measures for employee satisfaction, service quality, customer satisfaction, and firm profitability were above their corresponding acceptable criteria, suggesting the measurement models are capable of predicting the observed covariance or correlation matrix. The values of comparative fit measures were also above the acceptable criteria, providing evidence against the hypothesis of a null model. All the results of absolute fit measures and comparative fit measures support the belief that the measurement models achieve satisfactory fit and are ready to be used in the analysis of structural models.

Structural models results and hypotheses testing

Above table shows the goodness of fit statistics for the hypothesis. The overall fit of the structural model was good: x2 = 135.560 (p = 0.092; n.s.), x2/d.f. = 1.179,

satisfaction on firm performance might be somewhat ‘‘self-sustainable’’. These findings suggest that service firms should not be overly concerned about the on-going costs for sustaining employee satisfaction in the long run. However, in practice, the cost of improving employee satisfaction is often the first area to receive cuts when firms are trying to tighten their belts financially.

The fact is that the employees satisfaction are fundamental requirement to have customer satisfaction, and satisfied customers are many times more likely to

Conclusion

In this study we developed and tested theory-based empirical models that depict the associations among employee satisfaction, quality, customer satisfaction, and profitability in high-contact service industries. The results lend strong support for the assertion that employee satisfaction is an important determinant of operational performance.

This study shows that employee satisfaction is crucial to achieving quality and profitability in the service industry. The results support the hypotheses that employee satisfaction leads to higher service quality and that it influences customer satisfaction directly. Service quality and customer satisfaction eventually lead to financial gains. This research provides strong evidence to support the fundamental relationship among employee satisfaction, service quality, customer satisfaction, and firm profitability.

The employees are satisfied to offer services with a high level of quality to satisfy customers, the impact of employee

be repeat buyers than dissatisfied or even moderately satisfied customers! The key question remains as it is that what are we doing to focus on employee satisfaction to specifically drive customer satisfaction? Although most of these above mentioned things are said many times before but unfortunately these core principles are forgotten or neglected. Probably it is the time for all the organizations to do a personal assessment: the reviving time, to put our hundred percent efforts towards it!!!

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BOOK REVIEW

HUMAN RESOURCE MANAGEMENT

PUBLISHER-New Age International Limited

AUTHOR-B.B Mahapatro

ISBN No-978-81-224-2673-1

NUMBER OF PAGES-406

This book is developed and designed to meet the requirement of the students of different levels (post-graduates, under-graduates, also for other disciplines where the Human Resource Management is used in their courses). This book explains in detail the principles, concepts and also their implications in different Indian situations. This also covers the recent trends of different issues. Many issues like HRD, Competency Management, Potential Appraisal, Performance Appraisal, HR measurements, attracting the talents, Socializing etc. with case studies and finally the employee-employer relationships are also covered.

This book contains 13 chapters. Chapter1 and 2 deals with Human Resource Management and its scope and functions. Chapter 3 covers the Human Resource Planning and vividly describes the demand and supply of human resource in an organization. Chapter 4 deals with Employee Talent and its procedure to attract them to the organization. Chapter 5 covers the Socialization and Management of human resource in an organization. Chapter 6 describes the design of Performance Appraisal system and the methods adopted to evaluate the appraisal system of employees. Chapter7 and 8 addresses the methods of Mapping the Competency of employees and its relevance in the present scenario. Chapter 9 shows Human Resource Accounting, Auditing, HRIS and its application in day-to-day activities. Chapter 10 and 12 deals with training and employee development relating to Indian context. Chapter13 explains the good and effective employee employer relationships in the organization.

Salient features of the book-

- Incorporates the latest research and developments that have taken place in the last ten years in the field of Human Resource Management.
- Updated tables and figures using recent findings on multinational Human Resource Management.
- Comprehensive contents.
- Corresponding cases for each topic.
- Summary of every distinct topic.
- New HR issues like Competency Mapping ,Balanced Scorecard, e-HRM etc. are highly focused.

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