

# Evolution of Islamic Banking and Its Salient Features: An Overview

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***Abstract:** Across the Muslim world, there has been a move to create Islamic financial institutions since 1960s. Islamic Banking has gained considerable momentum since second half of the 1970s and operative in more than forty-eight countries. One of the fundamental changes envisaged in the wake of the Islamic transformation of a modern economy is replacement of the institution of interest by profit-sharing. An attempt is made in this paper to trace the growth and development of Islamic banking and to highlight its salient characteristics. An outline of banking will be presented in an Islamic framework and the main focus will be on the forms of financial operations and key Islamic financial instruments. The concluding section will outline the relative importance and relevance of the monetary instruments for regulating money supply by the central bank in an environment of Islamic banking.*

***Key Words:** Islamic Banking, Profit-sharing, Islamic financial instruments.*

## 1. Introduction:

Islam covers all aspects of human lives and seeks to develop a new moral personality in man and a new socio-economic and political order. Islamic socio-economic system, its culture, its values and objectives differ from the socialist and capitalist systems. Islamic concepts are different from capitalism by their opposition to excessive accumulation of wealth and, in contradiction to socialism, by their protection of the rights of property, including ownership of the means of production. Islamic economics rests upon divine guidance. According to an “Egyptian Study”, the Islamic economic system is based upon a number of principles that regulate human life. They constitute a sum of wisdom accumulated over centuries by Islamic thinkers, who addressed themselves to broad political and economic issues and the history of human societies. A true Islamic society should not be an arena where opposing interest clash, but rather a place where harmonious relations can be achieved through a sense of shared responsibilities. The individuals’ rights must be equitably balanced against those of society at large (Egyptian Study, 1983). Islamic economics and banking are regulated by Shariah the laws derived from The Holy Quran and Sunna and the Islamic and financial practices of Islamic banks must abide by these guiding principles, although they do have a certain flexibility to adapt to new economic situations (Schacht J., 1979). The characteristics which distinguish Islamic economics and finance from their western counterparts reflect a different understanding of the value of capital and labor.

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Islamic banking relies on equitable risk-sharing between the providers of capital and the entrepreneur. This practice is derived from the central tenet of Islamic banking based on the Holy Quran which forbids 'Riba' that is, interest payments or interest receipts (Surah Al- Baqarah , The Holy Quran).

Until the early sixties, the entire banking system in almost all the Muslim countries was patterned after the western banking system. But the western pattern is considered inconsistent with the Islamic laws primarily because of disapproval of 'Riba' or interest in Islam. Attempts to avoid dealing in interest led to the introduction of interest-free banking system in Muslim countries. However, through the basic aspect of Islamic banking without interest, there are something more such as equitable distribution of wealth and income and avoidance of investment in projects considered undesirable by Islamic principles. Since it will not be possible to discuss all aspects of Islamic economics in this paper, our main focus will be on Islamic banking (Ahmad M., 2004).

## **2. Objective of the study:**

In the light of rapid development and the importance of Islamic banking, the present study attempts to describe the development of Islamic banking and evaluate the Islamic financial instruments. An analysis is also presented about monetary regulation by central bank under the Islamic framework.

## **3. Literature Review:**

Islamic banking is banking or banking activity based on the principles of Shariah and its practical application has augmented through the development of Islamic economics. The most distinguishing characteristic of Islamic banking system is the prohibition of interest. Shariah strongly prohibits acceptance of interest (known as Riba or Usury) at any form (fixed or floating) for loans of money (Usmani, 2007). In the late 20th century, only a few Islamic banks were established to apply the principles of Shariah to private or semi-private commercial institutions within the Muslim countries. Though Islamic banking has also the same purposes like the conventional banking, these banks operate in line with the principles of Shariah, also known as Fiqh al-Muamalat. As observed by Molla et. al., the aim of Islamic economics is not only introduction of interest-free financial system and introduction of Zakat but also establishment of society free from all sorts of exploitation (Molla et.al., 1988). The World Development report (1989, Box 6.3) highlighted about the about the Islamic banking system, as under;

“Islamic banks offer savers risky open-ended mutual fund certificates instead of fixed-interest deposits. (This is not unlike cooperative banks and mutual in the west, where deposits earn variable interest and double as equity.) Difficulties arise on the lending side. Arrangements to share profits and losses lead to considerable problems of monitoring and control, especially in lending to small business”.

Ahmed stated that that removal of interest does not mean zero-return on capital. Rather, Islam prohibits fixed predetermined return as it tends be an obstacle to the achievement

of full employment of capital. He also observed that it is the capital entrepreneurship that shares both the real contribution and the real profitability (Ahmed A., 1994). A study by OECD of the European countries stated that interest-free banking is a novel form of finance (Scharf T.W., 1983). The common Islamic instruments used in Islamic banking are Mudarabah (profit sharing), Musharaka (joint venture), Murabaha (cost plus), Ijara (leasing), Bai Salam, Bai Muajjal, Qard Hassan (Kaynak & Whiteley 1999; Presley R. Jhon, 1988). An interview was conducted by Mirakhor on 80 Australian financial institutions based in Sydney on their attitudes towards Islamic profit/loss sharing methods of finance and whether they would agree to lend funds in accordance with these methods. More than 40% respondents were prepared to lend fund on the basis of profit/loss sharing method (Mirakhor, 1997). Chapra (2007) basically highlighting the major benefits of asset backed financing by Islamic banks stated that Asset-based debt should further help by not allowing the debt to exceed the growth of the real economy. The introduction of Islamic banking not only leads the world economy with greater stability, but also greater efficiency in the financial system. Recently many commercial banks including top leading western banks such as the Kleeinworte Benson, Citibank and ANZ HSBC have also started to

adopt the pattern of Islamic banking in cost-plus financing, leasing and equity financing for their clients in the Middle East, Southeast Asia and a few international corporations in Europe and Latin America (Gathura, G., 1996).

Roula observed that Citibank NA will soon become the first Western-owned banking company to open an Islamic bank in the Middle East (Roula K, 1995). Parker pointed out in his study that the introduction of Islamic banking by the various western banks has exposed a positive results which indicate that Islamic banking systems can work effectively in both developed and developing countries regardless of religious boundary (Parker, M., 1993). The various international bodies such as, World Bank, IMF, IFC OECD seem to believe that Islamic banking has great opportunities.

#### **4. Methodology:**

This study is qualitative in nature. For carrying out the study, information on Islamic banking have been gathered from secondary sources like books on Islamic banking by scholars, journals, conference proceedings, and the internet.

#### **5. Evolution of Islamic Banks:**

Until the early part of the twentieth century, Islamic banking was the subject of mainly theoretical discussions. Most efforts to introduce Islamic banking in earlier years were through isolated private and individual initiatives. These efforts, in the midst of the huge and extremely powerful operations of the conventional banks, were unable to make impact upon established banking practices. Small beginnings, however, often develop into projects of promise and largescale undertakings. The individual and private initiatives in the field of Islamic banking thus provided an excellent working example on which the infrastructure of interest-free banking could subsequently be built.

Some pioneering Islamic banks, on a very modest scale were established in Egypt during the 1960s and operated as rural social banks along the Nile Delta. These interest-free banks were established without projecting an Islamic image, for fear of being seen as a manifestation of Islamic fundamentalism and for fear of offending the political authorities. These banks took the form of savings bank which neither paid interest to their depositors nor charged interest from their borrowers, investing mainly in trade and industry. Their pioneering efforts, led by Ahmad El Najjar, took the form of a savings bank based on “profit sharing” in the Egyptian town of Mit Ghamr in 1963 (Al-Omar & Abdel-Haq, 1996). The experiment lasted until 1967 by which time there were nine such banks in Egypt. These banks invested mostly in trade and industry, directly or in partnership with others and shared the profits with their depositors (Scharf T.W., 1983).

These banks were of the nature of savings and loan institutions rather than commercial banks. However, the Naser Social bank, established in Egypt in 1971, was the first interest-free commercial bank, but still without specific reference to Islam. The first Islamic bank to promote social bank was initially financed and supervised by the Ministry of Social Affairs and the Ministry of Finance (Al-Suwaidi, 1994).

In the seventies, changes took place in the political climate of many Muslim countries, and commercially oriented Islamic banks have been founded since the mid-seventies. These banks wanted to offer an Islamic alternative to the conventional financial institutions. There are two types of institutions, Islamic commercial banks and Islamic investment and international holding companies. The first group includes institutions such as the Dubai Islamic banks (1975), the Kuwait Finance House (1977), the Faisal Islamic Banks of Egypt and Sudan both founded in 1977, the Jordan Islamic Bank for Finance and Investment (1978), the Bahrain Islamic Bank (1978), the Islamic International Bank for Investment and Development, Egypt (1980), the International Islamic Bank of Dhaka, Bangladesh (1982), Massraf Faysal Al Islamic, OBU, Bahrain (1982), the Faisal Islamic Bank of Kibris, Cyprus (1983), and the Qatar Islamic Bank (1983). The year of establishment of these banks is shown within bracket.

Pakistan has always been at the forefront in pioneering Islamic banking. Pakistan began to conceptualize its new system as early as 1977, when the Council of Islamic ideology was asked to prepare a blueprint for an interest-free economy. In 1979, government decrees set off a process of Islamisation of the entire banking system. As early as July 1979, interest was eliminated from the operations of three of its institutions: the National Investment Trust, the House Building Finance Corporation and the Mutual Funds of the Investment Corporation of Pakistan. Since 1985, all financial transactions both for the corporate sector and individuals began to be on Islamic basis. Iran is another country which totally prohibits any banking and financial transactions which involves ‘Riba’ (interest). The constitution of the Islamic Republic of Iran refers to ‘Riba’ as an important example of inadmissible means of gaining profit. Since 21st March 1985 interest has been totally discarded in Iran. To conform to the ‘Riba-free’ banking system, all depositors and lenders in Iran must participate in the enterprise to which they are entrusting their money and accept an element of risk (Presley R. Jhon, 1988).

The South East Asia was not oblivious to the changes taking place in the financial arena. The first Islamic Financial Institution in Malaysia was the Muslim Pilgrims Savings Corporation set up in 1963 to help people save for performing Hajj. In 1969, this institution evolved into the pilgrims Management and Fund Board and it is popularly known as Tabung Haji. This institution invests the savings of the would-be pilgrims in accordance with Shariah. Its role is rather limited as it is a non-bank financial institution. The Bank Islam Malaysia Berhad (BIMB) was the first Islamic bank to open in South East Asia. It was established in July 1983 and 30% of its equity was taken by the Federal Government. The Tabung Haji also contributed 12.5% of the initial capital of BIMB (Ariff M., 1988). BIMB has several branches throughout the country.

The Philippine Amanah Bank was established in 1973 as a specialized banking institution without reference to its Islamic character in the bank's charter. The establishment of this bank was in response to the demand of the Muslim rebellion in the south and was designed to serve the special banking needs of the Muslim community. The PAB, however, is not strictly an Islamic bank, since interest-based operations co-exist with the Islamic modes of financing. But efforts seem to be underway to convert the PAB into a full-fledged Islamic Bank (Mastura, Micheal O., 1982). The Islamic Bank of Brunei Berhad was established in response to the command of his Majesty the Sultan of Negara Brunei Darussalam to fulfill the religious obligations (fardu kifayah) for the country, through the establishment of banking institutions which are permissible according to the teachings of the Holy Quran. The International Bank of Brunei was converted into an Islamic Bank with effect from 13 January 1993 and was renamed Islamic Bank Brunei Berhad (IBB, 1999).

While the above-mentioned Islamic commercial banks primarily operate on a national basis, the second groups of Islamic Investment and Holding companies have either a national or international mandate. These comprise the Islamic Investment Company, Nassau (1977), the Islamic Investment Company of the Gulf, Sharjah (1978), the Shariah Investment Services, Geneva (1980), the Bahrain Islamic Investment Bank, Manama (1980), the Islamic Investment House, Amman (1981), the Dar Al-Maal Al-Islami Trust, Bahamas (1981), and the Dar Al-Maal Al-Islami Ltd., Geneva (1981). The objectives of these institutions include the undertaking of all financial operations required by Muslims in the framework of principles and precepts of the Shariah; this embraces the investment of funds within the Islamic context, the generation of Halal profits, and the consolidation, promotion and cooperation of Islamic financial operations internationally.

It may also be useful to refer to some Islamic financial institutions established in countries where Muslims are a minority. One may find quite a number of interest-free savings and loan societies operating in India during the seventies. The Islamic banking system (now called Islamic Finance House), established in Luxembourg in 1978, represents the first attempt at Islamic banking in the western world. There is also an Islamic Bank International of Denmark, in Copenhagen, and the Islamic Investment Company has been set up in Melbourne, Australia. An important development in Islamic banking was the establishment of the Islamic Development Bank (IDB), an inter-governmental institution in Jeddah, in 1975. A major promoter was Tanku Abdul

Rahman, the then Secretary General of the foreign ministers of Islamic States, in 1974, who was able to win the support of King Faisal as well as of major oil-exporting countries to capitalize the Bank with two billion Islamic dinars (equivalent to two billion SDRs). The member states of the Organization of Islamic Conference (OIC) became members of the bank and there are fifty-seven members now. The IDB operations are free of interest and are explicitly based on Shariah principles. It provides equity capital and interest-free loans for development projects in less well off member countries and is engaged in international trade finance. The mandate of the IDB includes promoting cooperation with national Islamic banks, for example, by providing share capital for new Islamic institutions, joint financing of projects, and cooperation in research and training. IDB has been trying to promote the idea of Islamic Banking in third world countries.

Another important contribution of IDB is the creation of the International Association of Islamic Banks. The primary aim of the Association is to act as advisor and to promote cooperation among national institutions, to assist in training personnel, as well as to represent the joint interest of Islamic banks. During a meeting of IDB in November 1999, a fund of one billion US dollar was created to assist the private sector of the Muslim countries (Usmani, M.T., 2002).

Malaysia, Iran and Saudi Arabia are the biggest Islamic finance markets. But Iran is in effect cut off from the rest of the industry by international sanctions and different Shariah interpretations, leaving the other two centers as the leading powerhouses. Saudi Arabia and Malaysia have the size, depth and aspirations to lead the global industry and act as regional centers of gravity for the Middle East and Asia. Bahrain, one of the industry's pioneers, has led offshore hubs - but with ambitious Dubai increasingly asserting itself.

Though Bahrain has a head start but Dubai has already stolen its crown as the Middle East's financial centre and tends to become the capital of emerging "Islamic economy". Luxembourg, South Africa & Hong Kong are now rivaling with the UK to become the first non-Islamic country to issue a sovereign sukuk to make themselves stand out though London is the leading western Islamic centers. Development of Islamic banking came quickly after pious Arab merchants have established Islamic banks in the 1970s and 1980s, with many Muslims attracted to the promise of having access to financial services without breaking their religious principles. Ernst & Young predicts that Islamic banking alone will grow to \$3.4tn by 2018 given that many Muslims remain unbanked, partly because of religious prohibitions. But over the past decade StanChart's Saadiq arm has arranged more than \$73bn of Shariah-compliant financing (The Financial Times, 2014).

Despite some setbacks, Islamic finance has continued to mature and swell in size. Heated arguments over its religious credentials are natural and unavoidable, given the breadth and diversity of Islam. According to some experts even though there have been number of successful efforts to harmonize Shariah interpretations, there will probably always be differences of opinion between regions, countries and clerics. Iqbal Khan, the founder of HSBC Amanah and one of the industry's early champions, predicts that as Islamic finance matures it will gradually become truer to the spirit of Shariah (The Daily Star, 2014).

## **6. The Theoretical Basis of Islamic Banking:**

The development and practices of Islamic banking in recent years have provided new and important ideas in the field of banking and some concepts Islamic banking are fundamentally different from that of the conventional banking. The most important feature of an Islamic financial system is the absolute prohibition of payment and receipt of interest (Riba). Islam prohibits Muslims from taking and giving interest regardless of the purpose for which such loans are made and regardless of the rates at which interest is charged. There is no scope to distinguish between usury and interest and loans for consumption and production (Kahf, 2002). Apart from a few dissenting opinions, the general consensus among Muslim scholars is that there is no difference between Riba and interest. As interest is prohibited for all practical purposes and in all its forms as far as Islamic framework of thought is concerned, one has to look for guidance for a system of banking which is in consonance with Islamic framework of thought. That guidance can be found in the Holy Quran (Amin S. H., 1986). The verses of the Holy Quran with respect to Riba are well-known and established like all other verses of the Holy Book. The Holy Quran contains verses in four places which are intended to ban interest (The Holy Quran).

Some scholars have put forward several economic reasons to explain why interest is prohibited in Islam. It has been argued, for instance, that interest being a pre determined cost of production, tends to work as an obstacle to the achievement of full employment. Higher cost curves imply higher equilibrium prices and smaller scales of production. It has also been contended that international monetary crises are largely due to the institution of interest and that trade cycles are in no small measure attributable to the phenomenon of interest. It is also alleged that interest is not always a very effective monetary policy instrument even in capitalist economics as a determinant of savings and investment (Siddiqi M. N., 1983). There are studies to demonstrate that savings in many cases are not interest-elastic. It has been examined in the Pakistani situation during 1948-1968, when there was substantial increase in commercial bank deposits. Four variables (increase in the interest rate, increased monetization, increase in per capita income and increase in the number of bank branches) were taken into consideration to find out the relative importance of these factors in mobilization of savings in the country.

Estimation suggested that two variables, increase in per capita income and increase in bank branches played significant role in the increase of bank deposits, whereas the coefficient of determination with respect to interest rate increase was insignificant. Similarly factors other than interest could play a greater role in determining the level of investment (Islam R., 1973).

According to some there is a lack of satisfactory theory of interest in the western economic tradition. Some Muslims writers see the existing theories of interest as attempts to rationalize the existence of an institution that has become deeply entrenched in modern economics and not as an attempt to justify, based on modern economic analysis, why money lender is entitled to a reward on the money he lends out. For example, the notion that interest is a reward for savings does not, in their view, constitute a moral justification

for interest, for such a justification only arises if savings are used for investment to create additional wealth and capital. When an individual saves, however, his savings may take the form of hoarding or the purchase of financial asset without a simultaneous increase in new investment. In the view of these analysts, the mere act of abstention from consumption should not entitle any one to a reward. Similarly, these scholars argue that it is an error of modern theory to treat interest as the price of or return for capital. Money, they argue, is only 'potential capital' which requires the service of the entrepreneur to transform the potentiality into actuality; the lender has nothing to do with this conversion of money into capital and with using it productively (Uzair M., 1980).

Scholars have pointed out the exploitative character of the institution of interest, though some have pointed out that profit which is lawful in Islam can also be exploitative. One response to this is that one must distinguish between profit and profiteering and Islam has prohibited the latter as well. Another question raised is the fact that property rental is 'Halal', but capital rental is not might seem inconsistent. The answer may be given by rejecting analogy between rent on property and interest on loans, since the benefit to the tenant is certain, while the productivity of borrowed capital is uncertain. Besides property rented out is subject to physical wear and tear, while money lent out is not. The question of erosion in the value of money and hence the need for indexation is an interesting one. But the Islamic jurists have ruled out compensation for erosion of the value of money, or, according to Hadith, a tangible good must be returned by its like; 'gold for gold, silver for silver, wheat for wheat, dates for dates, salt for salt, like for like and equal for equal (Kitab-al MUSAQAT, Hadith ).

It must be emphasized that Muslims need no proofs before they reject the institution of interest. No human explanation for a divine injunction is necessary for them to accept a dictum, as they recognize the limits to human reasoning. No human mind can fathom a divine order; therefore it is a matter of faith. It may not be out of place to mention some ancient views on interest/usury or control of interest. In the 24th century B.C., Manu established a rate of ceiling of 24% in India.

Hammurabi, the king of Babylon put ceilings on lending rates. For example, on loans on grain, which were repayable in kind, the maximum rate of interest was limited to 33% per annum.

According to some historian, Julius Caesar's attempts to control interest rates could well have been the real reason for his assassination, since many Roman Senators were the main money lender. Aristotle, the Greek philosopher stated that "the most hated sort of retail trade, and with the greatest reason, is usury, which makes a gain out of money itself, and not from the natural object of it" (Armstrong A. M, 1987).

In Islam interest is completely banned. The prohibition applies to lending and borrowing among individuals, between individuals and institutions or between institutions as well as between governments & institutions, and government & individuals. However, the Islamic ban on interest does not mean that the capital is costless in Islamic system. Islam recognizes capital as a factor of production, but it does not allow the factor to make a predetermined claim on the productive surplus in the form of interest. This obviously



poses the question as to what will then replace the interest rate mechanism in an Islamic framework. A different rationale has evolved to justify the principle of banning interest. There is no need for loan financing, it is argued, because an active involvement in an enterprise through profit/loss sharing is a superior way to direct capital into productive outlets.

### **7. Rationale of Profit/Loss Sharing:**

In an Islamic framework, banks mobilize savings from the public on the basis of profit/loss sharing and making advances to firms on the same basis. Banking companies could be established with share capital, the shareholders will be sharing the profit as well as losses of the banking business. Entrepreneurs obtaining capital from banks would have to share their profits with the banks according to a mutually agreed percentage. The banks share their profits with the depositors according to the same predetermined percentage. This will leave part of the profits with the banks, which would along with the net revenue from fees and commissions charged for other banking services, and profits accruing on the investments of banks' own capital, constitute the gross profits of banking (Siddiqi N.M., 1983).

If there is any loss, the bank will incur this loss, not the entrepreneur if he does not invest any capital of his own. If the banks participate in the management and part of the capital coming from bank and rest from entrepreneur, then both the parties will share the profits or losses in proportion to the capital supplied by each. The banks may not incur losses on their advances taken as a whole. This could be ensured by diversification of investment and supervision of entrepreneurial management. The banks can build up loss-compensating reserves from retaining profits of earlier advances. The revenue from fees charged on various banking services will remain with the banks. One may argue in favor of combining investment & development banking so that the banks are involved in production and capital formation (Ahsan Fakhru A.S.M, 1983). In Islam, the owner of capital can legitimately share the profits made by the entrepreneur.

What makes profit-sharing permissible in Islam, while interest is not, is that in the case of the former it is only the profit sharing ratio, not the rate of return itself which is predetermined. It may be noted here that according to Muslim scholars, money per se is unproductive until it is actually used by an entrepreneur for real economic activities. All capital employed to earn a return is risk capital if it is not risk capital, then it is not entitled to any return (Uzair M., 1980).

About profit-sharing ratio, there are different views as to how the profit-sharing ratio will be determined. According to some, the ratio may be fixed and altered through mutual agreement of the parties involved. Some scholars think that the central bank can take up this responsibility.

Some prefer leaving the determination of the rates to market forces on ground of efficiency (Usmani, 2002).

## 8. Forms of Financing Operations and Key Islamic Financial Instruments:

In the conventional banking system, personal or corporate loans are handled through a simple financing mechanism. The banks, acting as financial intermediaries, accept deposits from the public and lend them to the borrowers, regardless of whether these borrowers are individuals or corporate entities. The banks' profits are mainly attributable to the difference between interest paid to depositors and interest earned from borrowers.

In the Islamic banking system, the issue is rather different. Money does not earn money without collaboration between capital and effort. Therefore depositors do not earn an automatic fixed return on their deposits as in the conventional system. A link has to be established so that the expected earnings of depositors are directly related to and constitute a proportion of the profits earned by the entrepreneurs. Nonetheless, financing or participating Islamic instruments vary to suit the financial needs in the market and to provide short, medium and long-term funds. These Islamic instruments take one or more of the following forms: Mudaraba, Musharaka, Murabaha, Ijara, Bai Salam, Bai Muajja, and Istisna etc (Kaynak & Whiteley 1999; Presley R. Jhon, 1988). The definitions and mechanism surrounding each type are briefly discussed below:

**Musharaka:** The Musharaka is a legitimate mode of financing recognized in Islam and is based on equity participation (Musharaka), in which partners use their capital jointly to generate a surplus. The Musharaka contract is formally a limited partnership whereby both the bank and the customer provide capital for a specific project. Another possibility is the participation of the bank in an existing enterprise by means of a capital contribution. The distribution of profits between bank and customer will take place according to some agreed proportion subject to a contract between the parties and allowing for managerial skills to be remunerated. Losses are shared according to capital contribution. The bank may participate in the management, but it may also waive this right (Hawary et al, 2004; Usmani, 2002 and Chapra, 2007).

The Islamic bank may finance industry, trade, real estate, construction and almost all legal enterprises through equity or direct participation. Musharaka is well suited for financing private or public companies. Musharaka financing is characterized by the following features:

1. First and foremost, the Islamic bank is not guaranteed a fixed return on its participation.
2. Equity participation of venture capital in the conventional system does not preclude the project from borrowing and incurring interest payments. In the Islamic system, borrowing at a fixed interest rate from a conventional bank is forbidden.
3. Whether a bank steps in to finance fixed assets, working capital or both, the bank's benefits lie in the profit sharing scheme between the bank and the venture.

**Mudarabah:** Under the principle of no pain no gain, no one is entitled to any addition to the principal sum (interest) if he does not share in the risk involved. The capital provider or rabbulmal may invest through an entrepreneur borrower or Mudarib, hence the name

of the structure Mudarabah. Profits are shared on a pre-agreed basis but losses, if any, are wholly suffered by the provider or rabbul-mal, while the entrepreneur loses 'the profit of his effort'. The financing structure is called Mudarabah and to some it looks like non-recourse project finance. Mudarabah is also called Shirka. In Jurisprudence term, Mudarabah is a contract in profit sharing, with one party providing funds and the other work/effort. The Islamic bank as an investor (rabbul-mal) provides a second party, the entrepreneur (Mudarib) with financial resources to finance a particular project (Hawary et al, 2004 and Al-Omar and Abdel-Haq, 1996).

In the case of interest-free banking in an Islamic society there will be three parties: (1) The actual user of capital or entrepreneur; (2) The bank which serves as a partial user of capital funds and as an intermediary link; and (3) The supplier of savings or capital funds, i.e., depositors in the bank. Thus there is a triangular relationship between the actual entrepreneurs, the banks, and the depositors. One tier of Mudarabah partnership will be between bank depositors and the bank; and the other tier will be between the bank and the entrepreneur. There will be some arrangement that the entrepreneur and the bank would share the profit/loss in a certain ratio.

Similarly, there will be some arrangement between the bank and the depositors to share the profits at an agreed ratio. The two tier Mudarabah is considered to be the ideal model for setting up Islamic banks and other financial institutions whose main function is financial intermediation. On the one hand, they mobilize deposits from the public on the basis of Mudarabah and, on the other, they provide finance to entrepreneurs. However, Islamic banks, besides accepting investment deposits on Mudarabah basis, may also accept current account deposits. In regard to current account deposits, the relationship between the depositors and the bank is that of lender and borrower. These depositors are in the nature of 'Qard Hassan' to the bank. The depositors allow the bank to use these at its discretion and at its own risk. These deposits being in the nature of 'Qard Hassan', do not qualify the depositors for a share in the profit or loss of the bank. However the principal amount should be returned to the bank in full and on demand. In contrast, in the case of investment deposits, based on Mudarabah, the profit/loss sharing principle will apply. However, the possibility of net loss, in the case of banks may be ruled out. The reason is that the banks will have multiplicity and diversification of financial operations. If the banks carefully evaluate the projects before selecting them for financing and follow sound portfolio management policies, losses, if any, will be more than offset by profits. Islamic banks, besides accepting investment deposits and current account deposits, may also accept saving deposits either on the basis of Mudarabah or on the basis of 'Qard Hassan' which is discussed separately in another section.

Mudarabah is the best adopted in project and trade financing. Some Hanbali Jurists allow its usage in financing agriculture, small businesses or workmanship. Many Islamic scholars argue that Mudarabah should be limited to self-liquidating transactions (Ali M., 1992). However, it seems that the application of Mudarabah in financing is very limited owing to the restrictions of Mudarabah transactions. But a broader definition of Mudarabah- that may be applied in various economic activities- needs further research and through analysis. After all, Islamic banking and finance is a new concept in many

respects; it will not be impaired if new approaches are adopted, provided that they serve the present needs, and also comply with the Shariah.

Whenever the use of the Islamic financial instruments of Mudarabah or Musharaka do not seem to be feasible for the time being, the Islamic banks may apply the other relevant Islamic financial techniques some of which are stated below.

**Murabaha:** For the supply of goods and equipment, the Islamic banks use the Murabaha contract. Murabaha is available for financing the purchase or import of capital goods, consumer goods and raw materials. For example, the major products offered by Murabaha department of the Kuwait Finance House are: all kinds of cars, either new or old; furniture, either readymade or custom-trade; electrical and electronic works; boats, machines and marine equipments, construction and building materials; and commercial deals etc. Under the agreement, the customer provides the bank with the specifications and quotations of the goods to be purchased.

When the bank and its customer have agreed on the term of the deal, the former purchases the goods or commodities and passes the title to the customer at a later date. The bank finances the purchases of good or asset by buying it on behalf of its client and then add a 'mark-up' on a 'cost-plus' basis (Hawary et al, 2004 ; Usmani 2002 and Thani et al, 2003).

At first glance, it may appear that mark-up is just another term for interest as charged by conventional banks, interest thus being admitted through the back door. What makes the Murabaha transactions Islamically legitimate is that the bank first acquires the assets and in the process it assumes certain risks between purchase and resale. The mark-up covers the risk between buying the good and selling to the firm. Other factors affecting the mark-up are the size of the transaction, the reputation of the buyer, and the type of good or service. It is estimated that the large percentage of the banks' business are carried on by short-run Murabaha finance.

Murabaha financing has gained momentum in Islamic banking operations. For this reason, risk management concentrates on the short term and on attracting credit-worthy borrowers. The bank takes responsibility for the good before it is safely delivered to the client. The services rendered by the Islamic bank are, therefore, regarded as different from those of conventional banks which simply lends money to the client to buy the good. Murabaha transactions are not personal loans, as it does not involve giving cash money to customers at all. It is rather a commercial process whereby the bank buys and gets the ownership of the goods purchased from the suppliers, and then sells these goods to the clients. The buyer is referred to as "the person promising to buy" in the stage preceding the conclusion of the Murabaha sales contract. The Murabaha sales are known as "trust sales" and the original quality of goods or services is known to both seller and buyer. Then the agreed profit is added to the original cost of the transaction. The number of installments and the value of each installment are determined at the time of concluding the Murabaha sales contract. There are certain fundamental principles attached to Murabaha which should not be overlooked and those are mentioned below:

1. The purchase price should be declared to the client, especially when the bank succeeds in obtaining a discount. Since the mark-up is calculated on the net purchase price, any discount or rebate obtained has to be acknowledged and accounted for to the benefit of the client. This procedure requires strict application of Murabaha rules.
2. The goods must be classified and clearly identified according to international or commonly accepted standards or classifications, otherwise Murabaha contracts are void.
3. The third principle relates to whether the original agreement between the Islamic bank and the customer are binding or not.

**Ijara:** It is an Islamic form of leasing. Ijara is internationally known as leasing whereby the bank will purchase identified asset and then lease it to potential lessee. Through this arrangement, the banks facilitate the purchase of expensive equipment by the customers. It may be called a lease-purchase contract in that the lessee has the option of purchasing the item during the life of the lease. Lease financing is suitable for the medium and long-term financial transactions (Al-Omar & Abdel-Haq, 1996). The banks buy machinery or other equipment and lease it out under installment plans to end-users. The client is able to pay for the services of the asset from its operating income and is able to avoid an excessive initial capital outlay. As in western leasing, there may be an option to buy the goods built into the contract. The installments consist of rental for use and installment towards the purchase price. The asset can be sold to the lessee at the end of the lease term. However, the price of it cannot be pre-determined at the beginning of the lease term. In Islamic finance, there are two forms of leasing:

1. Direct leasing: Whereby the Islamic bank allows the customer to use capital assets owned by the bank for a limited period of time depending upon the type of assets in question. In return, the lessee pays a monthly or annual rental fee.
2. Ijara Waktina: Lease and purchase finance whereby the Islamic bank rents the assets to the customer who promises to purchase the asset within a specified period. The rental payment could be a fixed amount or a percentage directly related to the cash flow of the project and consists of the bank's share in the net profit attributable to the asset plus the rental charges. According to this profit-sharing method, when the total rental charges equal the cost of the asset, the asset ownership will be transferred to the customer.

**Bai' Salam:** This is like pre-paid purchase of goods. The Islamic banks use this means to finance production. In this case, the price is paid at the time of contract, but the delivery will take place at a future date. This mode enables an entrepreneur to sell his output to the bank at a price determined in advance. Islamic banks, in keeping with modern times, have extended this facility to manufacturing sector. It seems to be similar to Banker's Acceptance financing in the west.

**Bai Muajjal:** When an Islamic bank undertakes to purchase and resell properties on a deferred payment basis, this is called Bai Muajjal. It is considered lawful in Fiqh (Islamic Jurisprudence) to pay higher price for a good if payments are to be made at a later date.

This does not amount to charging interest, since it is not a lending transaction, but a trading one (Thani et al, 2003).

**Istisna:** This is a special investment vehicle to finance production of tools necessary for the manufacturing sector. Istisna implies pre-production finance and could be used as a tool in various areas such as oil processing, mining, construction and manufacturing (Hawary et al, 2004).

**Qard Hassan:** Islamic teachings urge that assistance be given to the needy in the alleviation of hardships. Consequently, an Islamic bank may lend money on an interest-free basis to a number of beneficiaries. This is called ‘Qard Hassan’ which can take place from the current account deposits and form the own resources of Islamic banks. In particular ‘Qard Hassan’ advances may be provided to the weaker sections of the population such as small farmers, artisans, poor but meritorious students, marriages and other social purposes etc. in order to help them stand on their own feet and to improve their living conditions. ‘Qard Hassan’ may also be provided to government for implementing projects which may not be expected to yield financial returns, but may be conducive to the welfare of the community. All these loans are payable within a specified period either by easy installments or lump sum amount. Provision of ‘Qard Hassan’ in deserving cases and for special purposes by Islamic banks and other financial institutions would be in the spirit of Ihsan (justice). It may be useful instrument in promoting first generation entrepreneur and in bringing about an equitable distribution of income in a country.

### **9. Products and Services offered by Islamic Banks:**

Islamic banks have been able to provide the following products and services, in varying degrees, in different countries- collections: clean and documentary, Documentary Letters of Credit, Standby Credits, Bank to Bank Reimbursement claims, Letters of Guarantee, Counter Guarantees, Mediation Guarantees, Shipping Guarantees, collecting and Processing of Draft, Cheques, Promissory notes and Bills of Lading, Purchase and sale of real estate, Carrying out Agency functions, Provision of consultancy services, Feasibility Studies of projects, Safekeeping of Documents and other valuables, Purchase and sale of foreign currencies etc.

### **10. Central Banking in an Islamic Framework:**

The general opinion seems to be that the basic functions of a modern central bank are relevant also for an Islamic monetary system, although the mechanism will have to be different. These functions include issue of currency notes, regulation of money and credit, acting as banker and advisor to the government and ultimate reservoir of liquidity for the financial and banking system. The objectives of monetary policy under the two systems may also remain largely the same. The objectives include monetary stability, economic growth, balance of payments equilibrium, full employment and fair income distribution. A central bank tries to regulate money supply through different policy instruments in such a way so that it may be able to achieve the above objectives. The important instruments of monetary policies which are applied by a conventional central

bank are: bank rate or discount rate policy, open market operation, reserve ration variation and selective methods of regulation.

The bank rate instrument cannot be used in an Islamic banking system, because it entails interest. Uzair has suggested adjustment in profit-sharing ratio as a substitute for bank rate manipulation by the central bank. Thus credit can be tightened by reducing the share accruing to the businessman and eased by increasing it. Likewise, it may be suggested that variations in the refinance ratio, which refers to the central bank financing of a part of interest-free loans provided by the commercial banks, can be used to influence the quantum of short-term credit (Uzair M., 1980). Siddiqi has proposed a prescribed lending ratio (i.e., the proportion of demand deposits that commercial banks are obliged to lend out as interest-free loans) that can be adjusted by central bank according to changing circumstances (Siddiqi N.M., 1983). There may be a proposal that the central bank should acquire an equity stake in conventional banking by holding say 25% of the capital stock of the commercial banks. Its rationale is that it would give the central bank access to a permanent source of income so that it could effectively function as a lender of last resort.

The power to change the reserve requirement and liquidity ratio requirement may also be used by Islamic central bank, because no interest rate is involved in these cases. Similarly, advice, moral persuasion and regulatory directives could play a prominent role in regulating money supply. Analytic studies have shown that indirect methods of reserve ration changes and variation of profit-sharing ratios can achieve the objectives of monetary policy in a closed Islamic economy as well as the more realistic case of an open economy (Ali M., 1992). Open market operations, which are conventionally undertaken through sale and purchase of interestbearing securities cannot be applied in an Islamic banking system. Bonds and securities may be replaced by shares which could provide the central bank with a means for open market operations. In an Islamic system, open market operations may be undertaken with the help of new instruments that may be developed on the profit/loss sharing basis and these securities could be sold to and purchased from banks from time to time as the need arises.

One of the constraints on a comprehensive monetary policy in an Islamic system is the absence of a wide and active inter-bank money market. A remedy to this is now being sought by the creation of a properly designed money market, as in Malaysia where the central bank has introduced an Islamic inter-bank money market for the trading of Islamic Bankers' Acceptances with effect from January, 1999. The central bank of Malaysia has also set up an Islamic interbank cheque clearing system separate from the conventional cheques. The experience of Iran and Pakistan are illustrative of the scope of supervision in an Islamic banking system and these two countries have made a number of innovations in this regard. Islamic central banks have not been established in most of the countries even where Islamic banking has been introduced. The Muslim countries should establish central banks which could play an important role in developing Islamic banking on a sound basis.

## **11. Conclusion:**

It emerges from the above discussion that Islamic banking has three distinguishing features: (a) it is interest-free, (b) it is multi-purpose and not purely commercial, and (c) it

is strongly equity oriented. Literature contains hardly any criticism of the interest-free character of the operation, since this is taken for granted and is a matter of faith with the Muslims, although concerns have been expressed about the lack of adequate interest-free instruments. There is a consensus that Islamic banks can function well without interest. Islamic banks and other Islamic financial institutions should be equity-based institutions, mobilizing and providing risk-capital and promoting entrepreneurship and productive efficiency along with justice through equitable sharing of risks and gains. Moreover, unlike conventional banks, there will be no fundamental difference between the position of share holders and deposit holders, because both will be sharing in profits. An important point that needs to be stressed is that Islamic banks and other financial institutions will have to pay much greater attention to developing expertise in projects appraisal and evaluation than is necessary for conventional financial institutions. This is because they are expected to provide finance mostly on profit-sharing basis. So they have to be very careful in selecting the projects which they agree to finance. Another difference between conventional and Islamic banks and financial institutions would be that, in contrast to

conventional banks which give greater emphasis to credit-worthiness of the clients, the Islamic banks and financial institutions are expected to give greater emphasis to the viability of the projects. It is, therefore, necessary for Islamic banks to employ adequate number of highly qualified trained persons who can do efficient project appraisal and undertake further research in various unresolved issues in Islamic banking. One more important problem is that, there is at present a shortage of manpower sufficiently trained in both disciplines, banking and Shariah, to permit a smooth and rapid expansion of Islamic banking.

The experience of interest-free economics presents a unique continuing challenge to both analytic economics as well as to microeconomic policy makers in Islamic countries, and students of banking theory and practice might find it informative and necessary to undertake serious studies in Islamic banking.

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# Analyzing the Factors Influencing Women's Decision to become Entrepreneur or join Corporate Jobs

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**Abstract:** Women constitute half of the total population and thus are regarded as asset for the socio-economic development of any nation. In Bangladesh, women either start their own business or join corporate jobs as their career. The main purpose of this research is to identify the factors that influence women's decision of choosing corporate jobs as careers or becoming entrepreneurs. A large number of studies conducted before related to this issue are also taken into consideration in this article. A total of 16 variables responsible for influencing women for corporate jobs and 14 variables responsible for influencing women for becoming entrepreneur are selected from related literatures. Factor analysis has been conducted to reduce the number of total variables. Bartlett's test of Sphericity has been used along with the Kaiser-Meyer-Olkin (KMO) statistic. SPSS 16.0 has been used to analyze the data collected from primary sources through random sampling technique. The analysis divulges that business risk avoidance, tangible and intangible compensation, communicational barriers, and practical knowledge out of entrepreneurial risk are the major factors that influence women's decision to join corporate jobs. Moreover, women select entrepreneurship as career to show strong commitment toward their own work, to control their own working hours, to balance their home chores and work, and so on.

**Key Words:** Women Entrepreneur, Women Services Holder, Entrepreneurship, Problems in Women Entrepreneurship, Problems in Corporate Jobs Factor Analysis, Regression Analysis

## 1. Introduction:

This paper presents two major advanced concepts of the career status of women in Bangladesh: women entrepreneurship and women service holder. The study focuses on the factors that influence women to involve in business and different service sectors of Bangladesh. Furthermore, this paper focused on the current scenario of women entrepreneurs and female corporate job holders and their job related problems that women face at workplace in the context of Bangladesh.

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## **Background of the Study**

The status of women in Bangladesh is defined by an ongoing gender equality effort, prevalent political tides that favor restrictive Islamic patriarchal models, and woman's rights activism. The Bangladeshi women have made massive gains since the country gained its independence in 1971. The past four decades have seen increased political empowerment for women, better job prospects, improved education and the adoption of new laws to protect their rights (Islam et al., 2001). As of 2013, the Prime Minister of Bangladesh, the Speaker of Parliament, the Leader of the Opposition, and the Foreign minister were women. However, besides such empowerment of women, issues like domestic violence, acid burning and rape still persist.

Women in cities relied on domestic and traditional jobs, but in the 1980s they increasingly worked in manufacturing jobs, especially in the readymade garment industry. Those with more education worked in government, health care, and teaching sectors, but their numbers remained very small. Continuing high rates of population growth a good number of women sought employment outside the home. Accordingly, the female labor force participation rate doubled between 1974 and 1984, when it reached nearly 8 percent (Kantor, 1999). Female wage rates in the 1980s were low, typically ranging between 20 and 30 percent of male wage rates. Over the past few years' women participation in the workforce has significantly increased in Bangladesh. The potential of women is greatly underdeveloped in many societies, although they represent half of the mankind. In recent times women are involved in business and service sector in a great number. One of the most rapidly escalating categories is that of women owned enterprises (WOEs), which require attention for a number of reasons. Women are frequently able to overcome traditional boundaries through WOE's.

Women have already made their marks in different fields of trade and business in Bangladesh. They have already proved their acumen and entrepreneurial skills by assuming vital responsibilities for many areas of business. Against this backdrop, the demands made by the women entrepreneurs are otherwise quite rational and genuine. When they start any business, they do not know the rules of the game, they do not have enough money, and they have no market access and no proper understanding of product quality. As more women in Bangladesh launch their own businesses, they are frequently unable to access the financing needed to expand. Currently, Bangladesh Bank, the central bank of Bangladesh, operates a refinancing program for women offering interest rates of 10 percent on loans of up to BDT 2.5 million against a personal guarantee (Mahbub, 2005). Nearly 2,600 women entrepreneurs took part in this program as of March 31, 2011, with approximately 1,800 bank loans and 800 loans from non-bank financial institutions. Over BDT 1.8 billion has been lent out to double the number of WOE's in Bangladesh.

On the other hand, women are also interested in corporate jobs or any kind of jobs where they can have their own identity. One of the encouraging developments in the employment scenario of the economy is the increase of female participation in the labor force. Between 2000 and 2010, female labor force doubled, against a 39.3 percent growth in the overall labor force. At the same time, against a 38.7 percent growth in total number of employment during this time period, female employment grew by 105.1 percent. The

share of women in labor force in 2010 stood at 30.3 percent which was 21.1 percent in 2000 (BBS, 2010)<sup>3</sup>.

### **Objective of the Study**

The main objective of this study is to analyze the factors that encourage women towards entrepreneurship as well as corporate jobs in Bangladesh. Apart from this central objective, other specific objectives are as follows:

- To give a brief idea of current women employment and entrepreneurship
- To investigate into challenges faced by women while working at the workplace.
- To recommend some workable framework for women entrepreneurs and corporate job holder on the basis of current scenario.

### **Scope of the Study**

The scope of the present study covers women who are involved in entrepreneurship as well as in corporate sector. The study makes an attempt to explore the status of the existing women entrepreneurs and service holders. Among women counterparts, this study covers different segments of business as well as organizations like banking, multinational corporations, educational institutions, NGOs, telecommunications, and pharmaceuticals in Bangladesh. This study investigates what factors are behind women's selection of entering a corporate job and starting their own business. Further, the paper measures to what extent these factors facilitate or constrain women to emerge as successful entrepreneurs in Bangladesh. The study also throws light on current situation of women executives in corporate jobs in Bangladesh. In fact, the study not only emphasizes on the encouraging factors of women entrepreneurship and corporate jobs but also identifies and analyzes the problems that are faced by women in work place and business world.

### **Significance of the study**

There are enormous studies on women entrepreneurship. In spite of this, the study gives attention to the factors that encourages women's decision of being entrepreneur over joining corporate jobs. On the other hand, it is noticeable that research on women involved in corporate jobs and factors encouraging women for this has received limited attention. This study focuses on both women entrepreneurs and women job holder in different sectors in Bangladesh. Simultaneously the study also focuses on the problems that are faced by women while working at the workplace. The paper signifies a remarkable input to existing women entrepreneurship initiatives to give them confidence to get engaged in entrepreneurship. By going through the findings, different business and service organizations will come to know how to deal with women executive and women entrepreneurs. This report also contributes to potential entrepreneurs to alleviate the problems that women entrepreneurs face. The findings also provide what areas of support women job holders can get from their respective field of work. Finally, this study gives a framework that encourages women to join corporate jobs.

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<sup>3</sup> Employment generation in Bangladesh as sited in <http://cpd.org.bd/index.php/employment-generation-in-bangladesh/>

### **Limitations of the Study**

The study has been conducted based on fieldwork through interviewing women entrepreneurs and job holders working only in Dhaka city. It was a prolonged process due to the direct interview of the respondents for primary data collection. Sometimes respondents were found uncooperative with the interviewer. Making appointments with women and taking their time was very difficult task. Sometimes female job holders were too much busy with their formal job duties so they did not attend the interviewer. Even the variables used in this study are derived from reviewing the literatures and researchers' own intuition. There can be other significant variables that are not covered in this study.

### **2. Literature Review**

In the entrepreneurial landscape, women entrepreneurs have turned into an important player (Pages, 2005). However in the comparison with business owned by men the number is still undersized. Over the past few decades several researches have observed the reasons and motivations of men to make the first move of business enterprise (Birley & Westhead 1994; Cooper & Dunkelberg 1981; Denison & Alexander 1986; Dubini 1988; Hisrich & Brush, 1985; Scheinberg & MacMillan 1988; Shane, et al., 1991; Shapero 1975). Conversely there are a small number of studies involving women entrepreneurs for example factors that may influence women to become entrepreneurs over leaving corporate world (Nguyen, 2005), restrictions and boundaries faced by women entrepreneurs as soon as they determined to set up their own businesses (Brown, 1997; Chandralekha et al, 1995; Gundry et al., 2002; Helmi's, 1997; Hamilton, 1993; Stoner et al, 1990; Winn, 2005), and the practices of ICT among women entrepreneurs (Ndubisi and Kahraman, 2006). Although there are few studies regarding the factors that may influence women's decision of being entrepreneur over joining corporate jobs, this section provides an overview of researches related to the problem at hand.

To control their own schedule regarding daily work and provide additional flexibility in their daily life, most women start their own business. Besides women starts number of their own business to live a more balanced life in managing their home roles as wife, primary caretaker of children, and work roles as owner or employee in their business (Nguyen, 2005). In small business, factors contributing to success of women entrepreneurs are different. Satisfactory government policies and rules, personal qualities, and easy to get finance are the vital factors contributing to success (Yusuf, 1995). Jamaican business owners stated that the most critical component for the success is marketing factor (Huck and McEwen, 1991). Another factor for women entrepreneurship that may contribute to business success is family's active support. From the study of work family conflict in Singapore, it is found that family members' and others' support can decrease the conflict of women entrepreneurs (Lee and Choo, 2001).

Nevertheless another considerable factor is internal motivation that can contribute to success in business. Assisting the apprentice training and providing capital for new firms is important to the success of future entrepreneurs (Nafziger, 1969). From a number of studies, it has been found that to become more successful entrepreneur, a high self concept relating to role in business and commitment to business are critical factors. These

studies disclosed additional psychological factors like managerial capability and work stress, and on which success may depend (Ehigie and Umoren, 2003). However another study found that if women have positive frame of mind when they become successful in any businesses (Rogers, 1980; and Ross and Lyle, 1978). A study of twenty female entrepreneurs have discovered that the most important motivations behind the women to start a business were the want to achieve, the desire to be independent, the need for job satisfaction, and financial necessity (Schwartz, 1976). Apart from that, there are some more distinguished motivating factors such as need for achievement, wish to control, to get better financial position, need for job satisfaction, and desire to be self-sufficient (Scott, 1986).

Conversely the reasons for women engaged in entrepreneurship were different. Women were found to be dissatisfied with their previous jobs because they were not allowed to perform at the level they were able to work and these may cause job frustration. Therefore, women were motivated to entrepreneurship due to the freedom and sense of accomplishment which are the common features of entrepreneurship (Hisrich, 1986). Further studies on motivation signified that women entrepreneurs may need greater stimulations than their male equivalents with similar motivations (Briley, Gross and Saunders, 1986). There are some factors that may have significant influence on women entrepreneurs such as determination, innovativeness, flexibility and tendency of risk taking (Nelson and Cengiz, 2005).

Researchers identified numerous reasons for women to become entrepreneurs. There are various challenges or attractions of entrepreneurship are revealed, but one of the main appealing factors is balancing career and family that means family concerns. Lack of career progression in corporate sector is another key factor for women to become entrepreneurs. Increased discrimination in the corporate sector and lack of organizational dynamics authority/politics manipulates women to involve in entrepreneurship. Additionally the report also found the some key factors for women to choose entrepreneurs such as desire to make social involvement and helping others<sup>4</sup>. As a consequence of attitude change, preoccupied conventional state of mind of society to modern one, support by society members, alterations of government policies the overall participation women in the area of entrepreneurship is growing at a significant rate (Sunil and Sunita, 2009). Apart from the above factors mentioned in the literature regarding the influence of women's decision of being entrepreneur, the researchers identify some factors in the context of Bangladesh such as need to get social prestige, business opportunities in the market, commitment towards work, lifelong goal to become entrepreneurs etc. By adding up these factors the researchers may be able to get accurate result in this study.

One of the major factors of women entrepreneurship is shortage of capital. Most of the women are less interested to involve in entrepreneurship due to lack of capital. The majority of women entrepreneurs could not enlarge their business because of scarcity of

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<sup>4</sup> South Africa Entrepreneurs Network (2005) as sited in <http://www.dti.gov.za/sawen/SAWENreport2.pdf>

finance (Rahman et al., 2000). A research result showed that in Jhinaidah District only 5% women have the capacity of funding their business from own source. Moreover, to run their small enterprises nearly 95% rural women entrepreneurs depend on borrowed capital (Islam and Aktaruzzaman, 2001). Even though there are many contributions of women entrepreneurs at the same time several barriers have been recognized as disadvantages to these contributions. The various challenges are lack of access to finance, government rules and regulations, information technology and communications that are able to increase business growth (United Nations, 2006). Women frequently experience greater restriction economic dealings compared with men (Kantor, 1999). Another factor that makes most women entrepreneurs fail is to take the advantage of opportunities available to them in their environment (Kantor, 1999 and Mayoux, 2001). There are various factors that may influence women's decision to join corporate jobs over being an entrepreneur. To find out those factors some challenges are observed facing by women entrepreneur. To clearly understand the challenges women are classified into better-off and low-income women. Poor traditional business networks, lack of socialization toward entrepreneurship in society, lack of access to capital, biased attitude of leaders, etc. are the challenges faced by better-off women (Gould and Perzen, 1990).

Then again, longer hours to work, cultural bias, poor savings and lack of management skills, health care and other assistance are the challenges for which it is difficult to start a business. It is noted that 88-93% of businesses owned by women did not export any goods or services because of the challenges they face in business despite of increasing the business activities of the global economy (Ando and Associates, 1988; and Kizilaslan, 2007). Some other factors such as poor financial management, management inexperience and incompetence, sales and marketing problems, staffing, difficulties with unions, the failure to seek expert advice, inadequate social and business networks, a low level of demand in the local economy, constraints in access to finance, and lack of work experience and skill. Other barriers to women entrepreneurship development are cultural obstacles, lack of motivation, high crime rates and problems during the transition from reliance on government benefits and employment (Mayoux, 2001; and United Nations, 2006). Females have less interest to get involve in business because of fewer business acquaintances, not as much of knowledge of how to deal with governmental bureaucracy, less bargaining power, and not being the member of professional organizations or part of other network. Women are deprived from awareness and exposure to good role models due to lack of networks. Due to the mutual invisibility of women dominated sector and of women as individuals in any given sector, women are invited to join trade missions or delegation (Mahbub, 2000).

Aside from the above factors mentioned in the literature regarding the influence of women's decision to join corporate jobs over being an entrepreneur, the researchers identify some factors in the context of Bangladesh such as learn from true innovator, benefits and bonuses during maternity leave, attractive overtimes, prestige and reputation of the company, limited hours of work and career advancement. With the addition to these factors the researcher may be able to investigate precisely.

### **3. Methodology**

The present study has been conducted to analyze the factors that encourage women in entrepreneurship as well as in corporate jobs in Bangladesh. This research is a quantitative research and is arranged by survey strategy. To conduct the study both primary and secondary data have been used. To collect primary data a structured questionnaire was designed on the basis of the objectives of the study. The secondary data have been collected from websites, publications, and articles on women entrepreneurs and non entrepreneurs, problems and prospects on women workers of different lines of business and organizations. The target population of this study covers women entrepreneurs and female corporate job holders from different types of business and organizations. A sample of 120 (n=120) women entrepreneurs and women job holders, 60 each, are selected purposively from 10 self-owned business firms and 7 companies of different areas of Dhaka cities in Bangladesh. The sample size is 120 considering 99% incidence rate and 95% completion rate. The sampling technique used in this research was simple random sampling for the selection of business firms and different companies and women entrepreneurs and job holders. A structured questionnaire has been used to collect the opinion regarding the factors that influence them to get engaged in business and service sectors. The questionnaire constituted of 9-points likert scale (where 1 indicated strong disagreement and 9 indicated strong agreement) along with some multiple choice questions (MCQs) and dichotomous questions. The collected data have been analyzed using SPSS 16.0 and MS Excel 2007 for factor analysis and some frequency distributions.

The paper contains five major sections. Following from the introductory part, section two reviews existing literature, section three delineates the research methodology and statistical model, section five presents the findings, and lastly section six concludes the study.

### **4. Data Analysis**

#### **Factors affecting Women's Decision to Join Corporate Jobs**

In this study, 16 variables have been taken into consideration. The variables are derived from reviewing the literature on related subject matter. And for the factor analysis to be appropriate, the variables must have to be correlated. These variables are as follows:

- V1- Learn from true innovator.
- V2- Limited hours of work encourages in corporate job.
- V3- It is difficult to seek expert advice for business.
- V4- Favorable pay, benefits and bonuses during maternity leave.
- V5- Performance related benefit.
- V6- Attractive overtime rates and allowances in corporate job.
- V7- There is high opportunity for career advancement in corporate sector.
- V8- There is a large amount of risk in entrepreneurship.
- V9- Prestige and reputation of company highly attracts in corporate job.
- V10- It is difficult to maintain business networking and relationship with other people
- V11- It is difficult to gain capital regarding business for women.



- V12- Society places negative attitude towards women who have their own businesses.
- V13- Lack of managerial complexity and competency.
- V14- There is a problem regarding Sales and Marketing in business.
- V15- There is lots of difficulties with union.
- V16- There is cultural obstacles in business.

Bartlett's test of sphericity has been used to test the null hypotheses that the variables in the study are not correlated. In other words, the null hypothesis states that the population correlation matrix is an identity matrix. In an identity matrix, all the diagonal terms are 1 and all off-diagonal terms are 0. The test statistic for sphericity is based on a chi-square transformation of the determinant of the correlation matrix. A large value of the test statistic will favor the rejection of the null hypotheses. If this hypothesis cannot be rejected, the appropriateness of the factors will be questioned. Another useful statistic is the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy. This index compares the magnitudes of the observed correlation coefficients to the magnitudes of the partial correlation coefficients. Small values (below 0.5) of the KMO statistic indicate that the correlations between pairs of variables cannot be explained by other variables and factor analysis may not be appropriate.

**KMO and Bartlett's Test**

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.686
Bartlett's Test of Sphericity	Approx. Chi-Square	500.061
	df	120
	Sig.	.000

Consequently, from the above table, it is apparent that factor analysis is appropriate. Here, the KMO value is **.686**, which is between 0.5 and 1.0, and the approximate chi-square statistic is **500.061** with **120** degrees of freedom, which is significant at the **0.05** levels. Therefore, the null hypotheses can be rejected and the alternative hypotheses that all variables are correlated to each other can be accepted. To analyze the variables ranging from V1 to V16, factor analysis has been used for data reduction. This analysis divulges the most important factors that influence women's decision to join corporate jobs over being an entrepreneur.

**Table 1: Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.967	37.291	37.291	5.967	37.291	37.291
2	2.067	12.920	50.210	2.067	12.920	50.210
3	1.590	9.937	60.148	1.590	9.937	60.148
4	1.184	7.402	67.550	1.184	7.402	67.550
5	.808	5.051	72.601			

6	.758	4.735	77.336			
7	.713	4.454	81.790			
8	.607	3.793	85.584			
9	.511	3.196	88.779			
10	.447	2.792	91.571			
11	.371	2.318	93.890			
12	.300	1.877	95.767			
13	.242	1.514	97.281			
14	.212	1.323	98.605			
15	.165	1.029	99.633			
16	.059	.367	100.000			

From the above table, only 4 factors have been extracted, as cumulative percentage is greater than 70% at this point and eigenvalue is greater than 1.0 (it is recommended that factors with eigenvalues greater than 1.0 should be retained) that indicates the adequacy of the analysis using derived factors.

**Table 2: Rotated Component Matrix**

	Component			
	1	2	3	4
Learn from true innovator	.085	.159	.039	<b>.793</b>
Limited work hours	<b>.542</b>	.437	.304	.156
Difficult to seek expert advise	.078	.135	<b>.867</b>	-.149
Favorable pay, benefit and bonuses during maternity period	.382	<b>.707</b>	.028	.262
Performance related benefit	-.014	<b>.740</b>	.224	.014
Attractive overtime rates	.559	<b>.620</b>	-.099	.185
opportunity for career advancement	-.484	<b>.607</b>	.172	-.173
Risk in entrepreneurship	.145	.319	.276	<b>-.649</b>
Prestige and reputation of the company	.087	<b>.728</b>	.125	-.157
difficult to maintain business networking and relationship with other	.506	.298	<b>.589</b>	.022
Difficult to gain capital	.181	.090	<b>.582</b>	.537
Society places negative attitudes towards women entrepreneurs	<b>.780</b>	-.161	.146	-.070
Lack of managerial complexity	.517	.281	<b>.573</b>	.172
Sales and Marketing problem	.412	.427	<b>.434</b>	-.234
Union related problem	<b>.712</b>	.190	.411	.078
Cultural obstacle	<b>.867</b>	.211	.053	-.018

The extracted 4 factors can be interpreted in terms of the variables that load high coefficients. From the rotated component matrix table, factor 1 has high coefficients for

Limited work hours (.542); Society places negative attitudes towards women entrepreneurs (.780), Union problem in business (.712), and Cultural obstacle in business (.867). Thus, factor 1 can be entitled as “**Business Risk Avoidance**”. Factor 2 has high coefficients for Favorable pay, benefits and bonuses during maternity leave (.707), Performance related benefit (.740), Attractive overtime rates and allowances (.620), high opportunity for career advancement (.607) and Prestige and reputation of company (.728). Thus, this factor may be labeled as “**Tangible and Intangible Compensation**”. Factor 3 has high coefficients for Difficult to seek expert advice (.867), difficult to maintain business networking and relationship (.589), difficult to gain capital (.582), problem regarding Sales and Marketing (.434), and Lack of managerial complexity and competency (.573). So, it can be tagged as “**Communicational Barriers**”. Finally, Factor 4 has very high negative coefficients for large amount of risk in entrepreneurship (-.649) whereas positive coefficient for Learn from true innovator (.793). So, this factor can be named “**Gather Practical Knowledge out of Entrepreneurial Risks**”.

#### **Factors affecting Women's Choice of becoming Entrepreneurs**

In order to identify the factors responsible for women's decision to become entrepreneurs, a total of 14 variables have been taken into consideration. The variables are derived from reviewing the literature on related subject matter. It has already been mentioned that for the factor analysis to be appropriate, the variables must have to be correlated. The variables are:

- V1 – Self Sufficient and Own Boss
- V2 – Dissatisfied with Previous Job
- V3 – Strong Commitment toward Work
- V4 – Favorable Govt. Rules
- V5 – Control Own Hours
- V6 – Work and Home Roles
- V7 – Easy Gain Capital
- V8 – Get Social Prestige
- V9 – Business Opportunity
- V10 – Social Involvement and Help Other
- V11 – Easy to Get Loan
- V12 – Family's Active Support
- V13 – Lifelong Goal
- V14 – Positive Mind

Bartlett's test of sphericity has been used to test the null hypotheses that the variables in the study are not correlated. In other words, null hypothesis states that the population correlation matrix is an identity matrix. In an identity matrix, all the diagonal terms are 1 and all off-diagonal terms are 0. The test statistic for sphericity is based on a chi-square transformation of the determinant of the correlation matrix. A large value of the test statistic will favor the rejection of the null hypotheses. If this hypothesis cannot be rejected, the appropriateness of the factors will be questioned. Another useful statistic is the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy. This index compares the

magnitudes of observed correlation coefficients to the magnitudes of the partial correlation coefficients. Small values (below 0.5) of the KMO statistic indicate that the correlations between pairs of variables cannot be explained by other variables and that factor analysis may not be appropriate.

**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.444
Bartlett's Test of Sphericity	Approx. Chi-Square	186.379
	df	91
	Sig.	.000

Contradictorily, from the above table, it can be seen that factor analysis is not appropriate. Here, the KMO value is **.444**, which is less than 0.5. Though the value of chi-square statistic (**186.379**) with degrees of freedom (**91**) is enough to make the relationship significant at the **0.05** levels, it is difficult to reject the null hypothesis that the correlation matrix is identity in nature as the value of KMO statistic is less than 0.5. In this situation, factor analysis cannot be used as the variables are not inter-correlated. Thus, it is better to depend on multiple regressions in order to find out the variables affecting women’s choice of entrepreneurship over joining corporate jobs. For this analysis, Dependent Variable is the selection of entrepreneurship over corporate jobs that depend on 14 independent variables stated above.

**Table 3: Model Summary and Beta Coefficients**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.762 <sup>a</sup>	.581	.403	.791		
<b>Coefficients<sup>a</sup></b>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.269	1.835		1.237	.225
	Self Sufficient and Own Boss	-.136	.256	-.083	-.529	.600
	Dissatisfied with Previous Job	-.046	.060	-.106	-.766	.449
	<b>Strong Commitment toward Work</b>	<b>.254</b>	<b>.113</b>	<b>.342</b>	<b>2.242</b>	<b>.032</b>
	Favorable Govt. Rules	.059	.096	.112	.616	.542
	<b>Control Own Hours</b>	<b>-.214</b>	<b>.074</b>	<b>-.437</b>	<b>-2.873</b>	<b>.007</b>
	<b>Work and Home Roles</b>	<b>.245</b>	<b>.061</b>	<b>.785</b>	<b>4.042</b>	<b>.000</b>
	<b>Easy Gain Capital</b>	<b>-.134</b>	<b>.053</b>	<b>-.464</b>	<b>-2.524</b>	<b>.017</b>
	<b>Get Social Prestige</b>	<b>.323</b>	<b>.100</b>	<b>.517</b>	<b>3.245</b>	<b>.003</b>
	Business Opportunity	-.061	.076	-.110	-.794	.433
	Social Involvement and Help Other	.136	.082	.235	1.660	.106

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	Easy to get loan	.062	.056	.194	1.106	.277
	<b>Family's Active Support</b>	<b>-.142</b>	<b>.061</b>	<b>-.328</b>	<b>-2.308</b>	<b>.027</b>
	Lifelong Goal	.170	.112	.224	1.520	.138
	<b>Positive mind</b>	<b>-.449</b>	<b>.163</b>	<b>-.421</b>	<b>-2.762</b>	<b>.009</b>

From the table above, it can be seen that the value of R is 0.762 that indicates very high association between the independent variables and the dependent variable. The value of R-square (0.581) indicates that the variance in independent variables will account for 58.1% variance in the dependent variable and vice-versa. Even if the result is adjusted with new samples and new independent variables, the result (40.3%) would hardly change drastically. The beta coefficients and the significance levels in the table above indicate that 7 out of 14 variables are significant at 0.05 levels. Thus, it can be said that women select entrepreneurship over corporate jobs in order to show strong commitment toward their own work (0.342), to control their own working hours (0.437), to balance their home chores and work (0.785), to gain capital easily (0.464), to get prestige in the society (0.517), to support their families actively (0.328), and to develop a positive mindset (0.421).

**Problems faced by Women in Entrepreneurship**

	1st	%	2nd	%	3rd	%	4th	%	5th	%	Total	Rank
Unfriendly work environment	2	4	1	2	4	8	2	4	3	6	12	
Lack of job security	3	6	3	6	1	2	1	2			8	
<b>Lack of proper training</b>	<b>3</b>	<b>6</b>	<b>4</b>	<b>8</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>8</b>	<b>4</b>	<b>8</b>	<b>17</b>	<b>4</b>
Delayed promotion			1	2			1	2	2	4	4	
Insufficient Salary	4	8	1	2	1	2	1	2			7	
<b>Lack of marketing skill</b>	<b>4</b>	<b>8</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>13</b>	<b>3</b>	<b>6</b>	<b>6</b>	<b>13</b>	<b>21</b>	<b>2</b>
Lack of management skill			2	4			4	8	3	6	9	
<b>Lack of family support</b>	<b>4</b>	<b>8</b>	<b>4</b>	<b>8</b>	<b>3</b>	<b>6</b>	<b>3</b>	<b>6</b>	<b>3</b>	<b>6</b>	<b>17</b>	<b>4</b>
Lack of financial support	1	2	3	6	1	2	4	8	5	10	14	
Religion barriers	1	2	2	4					1	2	4	
<b>Gender discrimination</b>	<b>5</b>	<b>10</b>	<b>3</b>	<b>6</b>	<b>5</b>	<b>10</b>	<b>2</b>	<b>4</b>	<b>3</b>	<b>6</b>	<b>18</b>	<b>3</b>

Stereotyping problems			1	2					2	4	3	
Balancing work life	5	10	2	4	4	8	4	8			15	
Lack of knowledge about technical aspects	1	2	3	6	2	4	4	8	2	4	12	
<b>Risk of sexual harassment</b>	<b>3</b>	<b>6</b>	<b>4</b>	<b>8</b>	<b>5</b>	<b>10</b>	<b>7</b>	<b>15</b>	<b>3</b>	<b>6</b>	<b>22</b>	<b>1</b>
Communication gap with top management	1	2	2	4	1	2			2	4	6	
<b>Political Unrest</b>	<b>4</b>	<b>8</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>10</b>	<b>3</b>	<b>6</b>	<b>2</b>	<b>4</b>	<b>16</b>	<b>5</b>
Labor crisis	3	6	3	6	3	6	4	8	2	4	15	
Social Activists	1	2	1	2	2	4					4	
Increasing price of raw materials	2	4	3	6	2	4	1	2	4	8	12	
Latest Technology	1	2	1	2	1	2			1	2	4	
<b>Total</b>	<b>48</b>	<b>100</b>	<b>48</b>	<b>100</b>	<b>48</b>	<b>100</b>	<b>48</b>	<b>100</b>	<b>48</b>	<b>100</b>		

The respondents have been asked to rank top five problems that they face while going for entrepreneurship. From the table above, it can be seen that maximum number of women feels the risk of sexual harassment while choosing entrepreneurship as their career. Out of all the alternatives, lack of marketing skill has been found to be the second most severe problem faced by women. At the third place, the problems associated with gender discrimination have been outlined by the respondents. While starting entrepreneurship, women feel lack of proper training and lack of adequate family support as the fourth severe problem. Finally, political unrest in the country is another hindrance faced by women willing to start their own ventures.

#### Problems faced by Women in Corporate Jobs

	1st	%	2nd	%	3rd	%	4th	%	5th	%	Total	Rank
<b>Unfriendly work environment</b>	<b>9</b>	<b>18</b>	<b>4</b>	<b>7</b>	<b>6</b>	<b>10</b>	<b>4</b>	<b>7</b>	<b>8</b>	<b>14</b>	<b>31</b>	<b>3</b>
Lack of job security	8	16	5	8	6	10	3	5			22	
Lack of proper training	3	6	3	5	4	7	3	5	3	5	16	
<b>Delayed promotion</b>	<b>10</b>	<b>20</b>	<b>14</b>	<b>24</b>	<b>9</b>	<b>15</b>	<b>5</b>	<b>8</b>	<b>7</b>	<b>12</b>	<b>45</b>	<b>1</b>

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<b>Insufficient Salary</b>	<b>8</b>	<b>16</b>	<b>8</b>	<b>14</b>	<b>5</b>	<b>8</b>	<b>3</b>	<b>5</b>	<b>4</b>	<b>7</b>	<b>28</b>	<b>5</b>
Lack of marketing skill			1	2	1	2	2	3			4	
Lack of management skill			3	5					1	2	4	
Lack of family support			6	10	3	5	6	10	3	5	18	
Lack of financial support					1	2			2	3	3	
Religion barriers					1	2			1	2	2	
<b>Gender discrimination</b>	<b>4</b>	<b>8</b>	<b>6</b>	<b>10</b>	<b>13</b>	<b>22</b>	<b>6</b>	<b>10</b>	<b>7</b>	<b>12</b>	<b>36</b>	<b>2</b>
Stereotyping problems			1	2	3	5	3	5			7	
<b>Balancing work life</b>	<b>12</b>	<b>24</b>	<b>3</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>8</b>	<b>14</b>	<b>5</b>	<b>8</b>	<b>30</b>	<b>4</b>
Lack of knowledge about technical aspects					1	2	1	2			2	
<b>Risk of sexual harassment</b>	<b>3</b>	<b>6</b>	<b>4</b>	<b>7</b>	<b>2</b>	<b>3</b>	<b>10</b>	<b>17</b>	<b>9</b>	<b>15</b>	<b>28</b>	<b>5</b>
Communication gap with top management			1	2	2	3	3	5	7	12	13	
Political Unrest	2	4							2	3	4	
Latest Technology							2	3			2	
Total	59	118	59	100	59	100	59	100	59	100		

The respondents who are willing to join corporate jobs have been asked to rank top five problems that they face mostly. From the table above, it can be seen that maximum number of women faces delay in promotion at their workplaces for various reasons. Out of all the alternatives, gender discrimination by the top management has been found to be the second most severe problem faced by women at corporate jobs. At the third place, the problems associated with unfriendly work environment have been outlined by the respondents. While working at corporations, women feel the problem of balancing work life and personal life as the fourth severe problem. Finally, insufficient salary and risk of sexual harassment are another obstacles faced by women willing to work in corporate jobs.

### 5. Discussion on Findings

From the analyses conducted in the previous segment, it is apparent that there are some specific factors that encourage females to join corporate jobs over entrepreneurship. Following is further discussion on the extracted factors:

**Business Risk Avoidance:** It has been found that women want to ignore the risks associated with starting a business and thus they prefer going to corporate jobs. If they start their own businesses, they have to spend huge time for this. But in corporate jobs, they usually have a fixed working hour. Then again they want to avoid doing business because society has a negative attitude towards women who have their own businesses.

Another problem is associated with business is handling union which includes leaders and members of the particular union; if they start business they have control union problems. But in corporate jobs, they have to handle subordinates only rather union. However, in business women have to deal with lots of people from different culture and at same time they have to serve the purpose of people from different culture in terms of their choices, preferences, values and traditions etc. but in corporate, usually they do not have face it immensely.

**Tangible and Intangible Compensation:** It has been found that women prefer corporate jobs than business because of the tangible and intangible compensation that they get from their jobs. In corporate jobs, women can get constructive pay, benefits and bonuses during their maternity period. On the other hand they become confident by their performance related benefits. They also get noticeable overtime rates and other allowances in their job. In general, women want to involve with the company which have high status and reputation in the market with the intention that they get the opportunity for their career advancement. That's why they do not prefer doing their own business.

**Communicational Barriers:** It has been clear from the analyses that women face communicational difficulties which are associated with starting their own business and hence they prefer going corporate jobs. If they have their own businesses, they have to search for expert advice for business. To conduct the business it is essential to keep up the business networking and relationship with other people, which is sometimes not viable for women. On the other hand, financial resources are the main ingredient of business, but for women it is difficult to gather capital for business. One more problem that women face in conducting their own business is managerial skills and complications, although in corporate jobs they may face same problem but they can get proper help from the higher authority. In business women should have the skills regarding sales and marketing to promote and sell their product, but one can easily avoid this problem by joining other department in corporate job.

**Gather Practical Knowledge out of Entrepreneurial Risks:** It has been found that women want to learn from the person who has practical knowledge and experience about business issues and therefore they have a preference toward corporate jobs. But it is also clear from the findings that high risk associated with business is not the factor behind joining corporate jobs.

## 6. Conclusions

Both female entrepreneurs and corporate job holders can get a valuable insight from the literature review and survey findings of this study. Since the objectives of the study was to discover the factors that encourage women's decision of being entrepreneur and to join corporate jobs. It is apparent from the analysis that some factors such as, strong commitment toward their own work, to control their own working hours, to balance their home tasks and work life, to support their families, to gain capital, and to get social prestige, influence them to go for entrepreneurship. Conversely, some factors like risk avoidance, communicational barrier, tangible and intangible compensation, to gather practical knowledge, and beyond entrepreneurial risk encourage women to go for



corporate jobs. This study also focuses on the challenges that women faces while going for their own business and corporate jobs. Majority among the women entrepreneurs feels the risk of sexual harassment while choosing entrepreneurship as their career. On the other hand, delay in promotion is top most problems that women face at their workplaces. Thus, there is a need for awareness and attitudes among people and society about women entrepreneurs, likewise the need for awareness and attitudes among employees about female corporate job holder. Both are necessary to make significant contribution to the national economy by women's participation in their respective field.

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## **Does CSR Effect on Consumer Purchase Decision? A Study on University Students of Dhaka City in Bangladesh**

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***Abstract:** Corporate Social Responsibility (CSR) is the activities carried out by the corporations that not only contribute to society but also influence to purchase behavior of the consumers. But there are misconceptions about CSR and its effect on purchase behavior of the students. As this study concerns about CSR and its persuasion on students' purchase behavior, exploratory research design was used. This study carried out based on students' purchase behavior which is related with the awareness about CSR. The findings indicate that students, who are knowledgeable and aware about CSR, have favorable attitude and positive influence on their purchasing decisions.*

***Key Words:** CSR, Purchase behavior, Awareness, attitude*

### **Introduction:**

Existence of Businesses always depends on existence of customers. It is important for businesses to gain customers' satisfaction. In the short run businesses can satisfy customers by delivering quality products and services. But in the long run businesses needs to do more to maintain customers' satisfaction. In today's world society expects from a business not only quality products and services but more from it. Because businesses earn its profit through selling its product to society, society expects that a part of the profit should be spent for the betterment of the society at large. Forte and Lamont (1998) experienced that consumers are actively consider the role of the corporations in society when making purchases decision. If a business wants to do well in the long run, it should run its activities in a socially acceptable way. Businesses should operate in such a way that the fate of the future generation can be protected and by thinking for the society, environment, and stakeholders, business can ensure that. Long run sustainability of a business depends on the relationship with the stakeholders. For that reason corporate social responsibility currently such an importance issue.

Wood (1991, p 693) defined corporate social responsibility as, “a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships.” In today's world, corporations are using CSR to establish good relation with the customers. It is also used as a pre-emption strategy by the corporations to save itself from any future risks like, corporate scandals, environmental accidents, governmental rules and regulations, big increase in profits etc. Corporations try to get the sympathy of the customers by informing them on their CSR activities (Kashyap

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*et al.*, 2006). That's why corporations now are much enthusiast to publish their CSR activities on their websites, through publications and their advertising campaigns. Now a day corporations using these CSR activities to gain competitive advantage over those corporations that do not do any CSR activities. CSR is now seen as an effective tool to help corporations to attract and retain customers. Berger and Drumwright (1996), in their study found that corporations with sound CSR actions develop positive social identity and enjoy increased loyalty from both customers and employees.

Information is one of the basic inputs into modern theories of rational choice (Schuler and Cording 2004). It is important to have an informed marketplace if consumers are to purchase in a socially-responsible manner, support more responsible businesses, and use their purchasing power to bring about social change (Webster 1975). Various authors (Auger et al. 2003; Sen and Bhattacharya 2001; Brown and Dacin 1997) examined the effect of CSR on consumer purchase-behaviour and found that it has positive effect on purchasing decisions when customers aware about corporations' CSR activities. Several researchers (Maignan 2001; Mohr, Webb, and Harris 2001) have called for research to determine the extent consumers are aware of the CSR records of corporations.

In various Marketplace polls (EnviroNics 1999; Cone Inc. 2004; Dawkins 2004) reports on consumers in different markets suggested that consumers not only expect more social activities from corporations but also wants to be informed. A 23-nation poll of public attitudes to CSR (EnviroNics 1999) found one in every 5 respondents discusses about CSR many times with his/her family and friends in the past year. In USA, Cone Inc. (2004) conducted a study on CSR found 86 percent respondents want more information on how company supporting the society, while in the UK, Dawkins (2004) found 74 percent of respondents indicated information on company's social and ethical behavior has great influence on their purchasing decisions, and 86 percent not happy because of companies lack of active communication on their CSR activities.

Bangladesh is an emerging economy with a average growth rate of 6% per annum (Ahmed, 2006) but there is a shortage of research activities relating CSR and its effect on the consumer. Corporations also provide little or no information about their CSR activities (Belal, 2001; Imam, 2000). In a review of research on CSR in developing countries, Visser (2008) pointed out that studies of this nature most frequently focus on China, India, Indonesia, Malaysia, Pakistan and Thailand. It can be placed Bangladesh in the category of countries that remain under-researched in terms of the CSR concept.

#### **Objectives of the study:**

The main aim of the present study is to contribute to filling the knowledge gap about market awareness of CSR in real markets. To fulfill the main objective, this study will try

1. To identify the knowledge level on company's CSR activities and its application in their purchasing decision in consumer level.
2. To explore the importance of awareness about CSR while consumers made their purchasing decisions.
3. To understand the relationship between CSR activities and its influence on purchase behavior of the onsumers.

### **Literature Review:**

Since 1950's the concept of CSR is under discussion. But due to the fast globalization and mass international trade, it got incredible attention of business and research community during recent decades (Guo et al., 2009). The International Organization for Standardization (ISO), strategic advisory group on CSR describes it as "*a balanced approach for organizations to address economic, social and environmental issues in a way that aims to benefit people, communities and society*" (ISO/TMB AGCSR N4, 2002). Mohr et al. (2001, p. 47) recognized that CSR is generally defined as ". . . a company's commitment to minimizing or eliminating any harmful effects and maximizing its long-run beneficial impact on society". Deetz (2003) described CSR as the response to the needs of the community. Maignan et al., (1999) defined CSR as economic, legal, ethical, and discretionary responsibilities imposed on them by their various stakeholders. Issues such as human rights, workplace and employee, unfair business practices, organizational governance, environmental aspects etc. are considered as CSR activities.

It has been suggested that CSR actions can influence purchase intentions (Sen & Bhattachary, 2001). In the past many author (Harrison, 2004; Alexandris et al., 2002; Berger et al., 1999; Holmes and Kilbane, 1993; Klein and Dawar, 2004) investigated the issue of CSR and its effect on consumer purchasing decision but there is no unanimous findings whether the effect is positive or negative. Some author suggested positive effects of CSR activities on consumer purchase intentions (Harrison, 2004; Alexandris et al., 2002), while some suggested no or minimum effects of CSR on consumer purchase intentions (Berger et al., 1999; Holmes and Kilbane, 1993; Mohr et al., 2001). Mohr et al., (2001) also found discrepancy between consumer level of awareness and purchase intentions. Brown and Dacin (1997) found that CSR is one of the important evaluating factors for consumers when choosing product. Mohr et al. (2001) suggested consumers want moderate to high levels of CSR activities from companies. Klein and Dawar (2004) found that consumers tend to favor companies that participating in social development activities and which in turn influenced brand evaluations and purchase intentions. Mohr and Webb (2005) maintained that within the domains of philanthropy and the environment, CSR had a positive impact on company evaluation and purchase intentions.

A study by Creyer and Ross (1997) found that consumers are willing to pay higher to companies as a reward for ethical behavior and also prepared to punish them for unethical behavior by paying lower prices. Furthermore, Barone *et al.* (2000) found that consumer prepare to ignore minor competitive product and price trade-offs and switch towards the product of the company that engages in CSR. Finally, Mohr *et al.* (2001) examined the effects of CSR on consumers' purchase decisions, but could not find a significant relationship.

Most of previous works (Belal, 1999, 2000a, 2000b, 2001, 2006; Belal & Owen, 2007) carried on CSR practice in Bangladesh are based on Corporations' reporting practices and one of the earliest studies carried out on CSR practice in Bangladesh by Belal (1999). In that study, it was examined annual report of 30 companies to measure their CSR reporting patterns. Belal found that 90% of the companies examined made environmental disclosures; 97% made employee disclosures and 77% made ethical disclosures. Other

authors like Imam (2000), Belal and Owen (2007) also carried out their research on CSR activities in Bangladesh on the basis of Corporate Reporting. In this research work we focused on the effects of CSR activities done by the corporations on consumers' decision making.

**Methodology:**

Primary concern of this study is to get insight into the relationship between awareness about Corporate Social Responsibility (CSR) and decision making of the consumers. So, this study is exploratory in nature. The study was conducted by both using primary and secondary data. Secondary data was collected from various journals and published materials whereas primary data was collected through using questionnaire. In developing questionnaire, five point Likert scale was used ranging from “1. Strongly Disagree” to “5. Strongly Agree”. Students were targeted as consumers to examine questions. This target group was chosen to get insight about- 1) whether they have understanding about CSR, 2) whether they are highly engaged in purchasing activities, and 3) whether they can differentiate between CSR activities and non-CSR activities. The method and result of this study consist a questionnaire filled by 200 students from different Universities like Dhaka University (DU), East West University, Daffodil International University (DIU), United International University (UIU), are then described. Because students do not want to give answers to all of the questions, respondents were selected through convenient sampling by seeking time from them. Although main focus of the study is students from different Universities, implications are drawn for academics, marketing professionals and policy makers.

**Findings and Discussions:**

**Respondents' Characteristics:**

**Table-1**

n %		Mean	Std. Dev.	n %		Mean	Std. Dev.	
<b>Age</b>		<b>1.92</b>	<b>1.046</b>	<b>Study Level</b>		<b>1.1950</b>	<b>.3971</b>	
18-22	91 45.5			Bachelor	161 80.5			
23-27	62 31			Masters	39 19.5			
28-32	20 10			<b>Year of Study</b>				
33+	27 13.5	1 <sup>st</sup> Year		12 6				
<b>Gender</b>		<b>1.2650</b>	<b>.4424</b>	2 <sup>nd</sup> Year		15 7.5	<b>3.3950</b>	<b>1.0699</b>
Male	147 73.5			3 <sup>rd</sup> Year		94 47		
Female	53 26.5			Final Year		40 20		
				Masters		39 19.5		

Source: Authors' Computation

From above table, it can be seen that most of the participants are from age group 18-22 years old. In addition to these, male students were 73.5% whereas 26.5% respondents were female students. However, respondents varied in study level such as Bachelor and Masters. But 80.5% respondents were studying bachelor degree while 19.5% respondents

were studying masters degree. In addition to these, 47% respondents were student of third year whereas 20% and 19.5% were the students of final year of bachelor and masters respectively. On the other hand, means for age, gender, study level, year of study are 1.92, 1.2650, 1.1950, and 3.3950 respectively. It indicates that the average respondents were from 23-27 age groups. And also it indicates that most of the respondents were male. It can be seen that most of the respondents' study level were bachelor and year of study is 3<sup>rd</sup> year. As students varied their knowledge level, some had little knowledge but some had precise knowledge about CSR. The standard deviations of respondents' characteristics such as age, gender, study level and year of study are 1.046, .4424, .3971, and 1.0699 respectively. Thus, respondents provided their response based on their knowledge and analytical thinking.

**Awareness about CSR and Purchase Behavior:**

The authors developed the questionnaire for each variable based on the dimensions revealed by the interviews and, when appropriate, relevant theory. They were able to identify and code variables on views of CSR and purchase behavior (See Table 2). In the table below, the distribution of respondents on each variable is described. Given the exploratory nature of this research, it should be noted that this study ought to be viewed as a preliminary typology requiring quantitative testing in the future. In addition, the frequencies and proportion are reported to give the reader a more complete understanding of the findings, but they are not intended to be projected to the general population.

However, the study was based on the students if it mattered to them, as a consumer, if a company takes action to help society or not. The researchers consider it a high involvement behavior to base purchasing of goods, services, or company stocks on CSR because it involves a pattern of purchasing as opposed to making only one purchase decision. Furthermore, this pattern of purchasing requires breaking out of the traditional, self-oriented way of buying based primarily on price, quality, and convenience or, in the case of stocks, on financial returns. Using CSR as a criterion requires both learning about complex social issues and obtaining information about the social responsibility records of individual firms as a student. These are high effort behaviors that are only likely to be undertaken when CSR is seen as important. Changing such behaviors rarely happens quickly for students. The researchers expect, instead, that students, who do respond to CSR, work up to socially responsible consumer behavior through a progression of stages. As they advance through the stages they may even backslide to an earlier stage from time to time.

**Table-2**

		1 Strongly Disagree (%)	2 Disagree (%)	3 Neither Agree nor Disagree (%)	4 Agree (%)	5 Strongly Agree (%)	N	Mean	Std. Dev.



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<b>Awareness about CSR</b>	I have extensive knowledge about CSR	3	7.5	3	55.5	31	200	4.040	.955
	I can recall a CSR related advertisement for a product	2	6.5	9	45	37.5	200	4.095	.948
	I have favorable attitude towards companies spending for CSR	1.5	9	0	47.5	42	200	4.285	.752
	I would like to see more CSR activities from companies	1.5	1	2	25	70.5	200	4.620	.719
	In my opinion, companies do CSR activities for helping the society	2	0	0	43.5	54.5	200	4.505	.609
<b>Purchase Behavior</b>	I would like to purchase products made by company doing CSR activities	3.5	0	8	42.5	46	200	4.310	.766
	When purchasing products i care aspects most	.5	4	15.5	40.5	39.5	200	4.145	.858
	During purchasing decision i often do think about CSR	3	9	14.5	34	39.5	200	3.980	1.084
	I will change brand/retailer to support CSR activities by companies	2.5	16.5	10.5	43	27.5	200	3.765	1.102

Source: Authors' Computation

From the above table, it can be seen that most of the respondents have extensive knowledge about CSR whereas most of them can recall the CSR related advertisement for a product. In addition to these, respondents recognized what a company does for society as Corporate Social Responsibility (CSR). And they expect more and more CSR activities from a company. It indicates that students have favorable attitude toward companies spending for CSR. Overall indication is that students have much awareness about CSR and feel encouraged to see more and more CSR related activities so that society can be benefitted.

On the other hand, respondents would like to purchase products made by company which is doing CSR activities and contributing to the development of the society. Because

students care aspects most when purchasing products, they often do think about CSR during their purchase. It indicates, respondents have tendency to relate the CSR activities with their purchase. To support CSR activities, most of the respondents will change brand/retailer. CSR is important to them, they work to learn about social issues and the behaviors of specific firms, and they believe that they can have an impact on the social responsibility of companies.

Most of the respondents have agreed at the point of awareness about CSR. Moreover, their purchase behavior also indicates that awareness about CSR can have good impact. It can be observed that the mean responses indicate most of students have extensive knowledge about CSR and they can recall CSR related advertisement. Nonetheless, they have favorable attitude toward companies doing CSR activities and expect more activities from companies. In that case, most of the students think CSR activities as helping hand for society's welfare. On the contrary, it can be seen that students are interested to purchase products from those companies which do CSR activities but respondents care aspects more in most of the cases. Most of the respondents, It can be observed that, often think about CSR when taking purchasing decision even some respondents are ready to change brand/retailer to support CSR activities by companies. The standard deviations of awareness about CSR are .9554, .9489, .7527, .7198 and .6097 respectively whereas standard deviations of purchase behavior .7660, .8588, 1.084, and 1.102 respectively because it shows that the individual responses to a question, on average, vary or "deviate" from the mean.

#### **Limitations of the Study:**

As the study was exploratory in nature, findings could not be possible to generalize to the population. This study intended to provide a complete understanding of the awareness about CSR and purchase behavior related with that understanding. Because students' perception and knowledge level varies, their answering pattern also varies. But more and more relationship could be developed between awareness about CSR and Purchase behavior if respondents were in same level of knowledge about CSR. It would be appropriate to take some other measurement to examine.

#### **Conclusion:**

Corporate Social Responsibility (CSR) is a kind of activities that not only contribute to society but also build up a good brand image of a company. Doing CSR, companies are able to propagate their brand name among the community people because CSR activities create awareness among them. However, CSR activities by companies not only create awareness but also influence purchase behavior of the people. The more companies do CSR activities the more opportunities become open to succeed in the competitive market arena. As the respondents expect more and more CSR activities, companies should be concerned about conducting CSR activities more frequently to build a better future for the society.

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# Women's Autonomy and its Influences on Utilization of Maternal and Child Health Care Facilities in Bangladesh

Shanjida Chowdhury\*

***Abstract:** Women's autonomy and its association with maternal and child health care have emerged as a focal point of investigations and interventions around the world. It is also an important issue in Bangladesh. In this paper, different dimensions of women's autonomy and their influences into maternal and child health-care utilization are investigated using data from BDHS 2007. The core hypothesis behind this work is that, women's with higher autonomy will be more likely to use maternal and child health care services. We employed binary logistic regression and multinomial logistic regression model for the multivariate analyses part. In this study, women's autonomy defined as women's decision making power relative to their male partners. Women's autonomy has increased with age, education, employment and number of children. This study showed that maximum autonomy indicators were important predictors of maternal and child health care utilization. Policymakers need to address women's autonomy in the household in addition to implement direct health interventions towards improvement of maternal health & child health care.*

***Key Words:** Women autonomy, Child care, Maternal care, Binary logistic, Multinomial logistic*

## Introduction

Female autonomy has widely been acknowledged as a major factor that contributes to better demographic outcomes. It is a multi-dimensional concept, which refers to different aspects of women's life. This is typically defined as the ability of women to make choices/decisions within the household relative to their husbands. The well quoted study of Dyson and Moore in the Indian context on 'On Kinship Structures and Female Autonomy' (1983) define Autonomy as "the capacity to manipulate one's personal environment and the ability – technical, social and psychological to obtain information and to use it as the basis for making decisions about one's private concerns and those of one's intimates".

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Historically, numerous research works were done to assess the impact of women autonomy on reproductive health and behavior. In this connection we have decided to work on the mentioned subject matter in context of Bangladesh.

According to CIA World Fact Book, July 2011, Bangladesh, a country in the Southeast Asia with a population of 159 million makes it the world's seventh densest populated country having 1,074 people per square kilometer, population growth rate is 1.566%, sex

ratio at birth 1.04 male(s)/female. Out of total population, 48.9% is women, of whom nearly 86% lives in rural areas.

In general, women are the most deprived section of the population in this part of the world. The situation of Bangladeshi women is bleaker. Most women have no independent income source because they have low education levels, few marketable skills, marry at an early age, and do not own land or property. It is a well established fact that in a patriarchal society like Bangladesh, women are ascribed a lower status compared to men who have the sovereign power to control households and society as a whole, while women are often secluded in their homes (Balk, 1997). Bangladesh is a country in which women face much restriction. Data from Demographic Health Survey (DHS) shows that, just over one in five women are solely responsible for decisions relating to their own health and large majority is not permitted to travel outside their household unaccompanied. Bangladesh ranks very low at 146 out of 182 countries on the Gender Empowerment Measure (Human Development Report, 2009) and the continuing high rates of maternal mortality and morbidity indicate serious gender inequity issues and low priority afforded to the status of women and women's reproductive right in Bangladesh. The Global Gender Gap index 2010 developed by the World Economic Forum, ranks Bangladesh 82 out of 134 countries in term of gender inequality. Autonomy and empowerment are essential for the achievement of substantial development. The full participation and partnership of both men and women is required in productive and reproductive life, including shared responsibilities for the care and nurturing of children and maintaining the household. In developing countries like Bangladesh, this type of study is important, because scenario of women's autonomy and women's maternal and child health care seeking behavior is not good. Again from above discussion we found that, increased autonomy of women is likely to increase their ability to seek out and use health services. This study is an attempt to show how different dimensions of women's autonomy and status affect maternal and child health.

#### **Objectives of the study**

- To find out the level of women's autonomy in Bangladesh.
- To explore the relationships between socio-economic and demographic determinants of women's autonomy.
- To ascertain the association between the dimensions of women's autonomy and the categories of maternal health care sought.
- To determine the differentials in child health status in relation to women's autonomy dimensions and the background characteristics thereof.

#### **Data and methods**

The data utilized for this study extracted from Bangladesh Demographic and Health Survey (BDHS) conducted over a five month period from March 24 to August 11 2007 under the authority of the NIPORT, Ministry of Health and Family Welfare, Bangladesh. The BDHS 2007 used five questionnaires: a Household Questionnaire, Women's Questionnaire, a Men's Questionnaire, a Community Questionnaire and a Facility Questionnaire. In this study, at first we have considered only those mothers who gave

child in last five years. This is 6,150. Among these individuals we considered currently married women aged 15-49, finally we have 6021 individual.

Simple statistical techniques like frequency distribution along with percentage were applied to check for data and to obtain descriptive statistics. To determine whether significant association exists between variables, cross-tabulation and chi-square test were done. Missing values or non-responses were also included in the analysis to get the exact picture. In this paper due to page limitation we don't assign all the table that are available for ready reference. Multivariate analysis was done to assess the relative effects of the explanatory variables on outcome variables. Since our outcome variables include both dichotomous and trichotomous variables, we employed both binary logistic and multinomial logistic regressions. Multinomial Logistic regression models were first fitted to investigate factors predicting the likelihood of involvement of women in decision-making on household and economic matters, freedom of goes to health centre alone and on visiting relatives/families. We use Binary logistic regression models to investigate the effect of women's autonomy on maternal and child health care.

BDHS 2007 has been installed in the SPSS (Statistical Package for Social Science) 11.5 version for windows format. The package of MS office 2007 has been used for documentation as well as presentation.

### **Variables of the study**

In our study, some variables were recorded and at the same time some new variables were created by combining information of other variables.

### **Dependent variables and their measures**

Four dependent variables are used to investigate the influences of women's autonomy on maternal and child health care utilization. These include Antenatal care during pregnancy, delivery care, postnatal care and child immunization status.

Antenatal care refers to pregnancy-related care provided by a health worker either in a medical facility or at home. In our study antenatal care can be assessed according to the type of service provider. We used a binary variable to model delivery care, reflecting whether the last child was born at a medical facility (hospital or clinic or NGO) versus at home, regardless of the type of attendant (health professional or other person). In our study postnatal care is assessed by women who delivered a child had received a health check after the delivery. In our study, child is considered to be fully vaccinated if it has received a dose of BCG vaccine, three doses of DPT, three doses of polio and a measles vaccination on age 12-23 months.

### **Independent variables and their measures**

#### **1) Women's autonomy indicators**

The degree of women's autonomy is assessed in four different areas

- Economic Decision Making Autonomy

- Household Decision Making Autonomy
- Freedom of movement Autonomy
- Attitudes towards domestic violence.

Economic decision making is based on two indicators such as participation in the family's large household and daily purchases. In our study we have considered, final say on own health care and final say on child health care as an indicators of household decision making autonomy. We have measured women's freedom of physical movement by making index on the basis of questions about whether they can go outside the village/town/city or hospital alone and whether they can visit their relative's house alone. Attitudes towards domestic violence were quantified by an additive index that takes on values from 0 to 4. This index captures the number of statements to which the respondent agreed that physical violence was justified. These statements relate to the following situations about which the respondent was asked whether she felt the use of physical violence was justified; (i) she neglects children, (ii) argues with the husband, (iii) refuses sex or (iv) goes out without informing the husband. Responses are coded as 1) respondent, 2) respondent and husband/partner jointly, 3) respondent and someone else, 4) husband/partner, and 5) someone else in the household. To make analysis convenient, the response "respondent alone" has been renamed as "female autonomy" to indicate her exclusive autonomy; the responses "respondent and husband" and "respondent and other person" were categorized as "respondent jointly" and the responses husband alone and someone else are categorized as "husband/others".

## **2) Socio-economic and demographic characteristics**

In our study we have four demographic variables and ten socio-economic variables. We have considered age in 5 year group, births in last five years, sex of household head, birth order as demographic variables and division, place of residence, respondent's education level, respondent's working status, partner's education level, wealth index, religion, watching television, listening radio, read newspaper/magazine as socio-economic variables.

### **Autonomy characteristics of women in Bangladesh**

Women autonomy is a precondition for the development of a country and also for the well being of a household. Figure 1 shows the percentage distribution of women's autonomy in Bangladesh and their attitudes towards partner's violence. Small number of women (8.2%) have sole final say on making large household purchases, 29% of women have final say on making household purchases for daily needs. Only 11% can visit family/relatives at will, approximately 13% of women have final say on own health care alone.

**Source: Calculated from the 2007 BDHS**

### **Results:**



### **Determinants of women's autonomy**

In final stage of analysis, for measuring pattern of women's autonomy, we conducted multinomial logistic regression to estimate women's odds of making decision about large household purchases, daily household purchases, own health care, child health care and freedom of movement autonomy which are shown in table 1(appendix). For simplicity of the table, I rearranged the table and shown here the result where respondents make decision alone compared to husband/others. I have also worked on cases where respondents make decisions jointly compared to husband/others for which tables are available for ready reference. The first columns of coefficients are for final say on large purchases to a respondent alone compared to husband/others. In table 1 (appendix) we can see that, respondent's age showed significant effect for the entire indicator of women's decision making autonomy. Regional impact is also present for economic, household and freedom of movement autonomy of women. Place of residence also has vital impact on women's decision making autonomy. Rural women decide alone about large household purchase 25.6% less than that of urban women. Rural women's household decision making autonomy & freedom of movement autonomy are less than that of urban women. Working women have high autonomy than non working women for both of the indicators of economic decision making autonomy, household decision making autonomy and freedom of movement autonomy. Women's education is one of the most important factors for decision making autonomy. Wealth index is found to be significant for visiting family/relatives.

Table 2 (appendix) presents the logistic regression analysis for justification of wife beating. From table we summarized that, higher educated women think wife beating is not justified than that of non-educated women. Regional effect have also been found for justification of wife beating. Non-Muslim women think wife beating is not justified than that of Muslim women.

### **Women's Autonomy and Maternal Health Care Seeking Behavior**

For calculation purpose, in case of multinomial analysis we have merged trained and untrained person into one category, named 'received antenatal care'. In order to estimate the independent effects of each variables controlling for other variables, data has been further analyzed by adopting linear logistic technique.

Table 3 (appendix) through table 5 (appendix) shows the results of multivariate logistic regression for antenatal care, delivery care and postnatal care respectively as outcome with women's decision making autonomy, socio-economic and demographic characteristics as independent variables. Two separate models were run for maternal care by each of the dimension of women's autonomy, while the full model adds the demographic and socioeconomic background variables to examine whether the effects of the autonomy variables are influenced by the socio-economic and demographic variables.

For economic decision making autonomy, from the first model in Table 3(appendix), it is evident that women's final say on large household purchase have a strong positive association with the level of antenatal care obtained. Women in the age range 30-34 are more likely to receive antenatal care. Antenatal care receiving decreases with higher birth

order for mothers. Religious belief also influences the health care seeking behavior of pregnant women. Regional impact and wealth index are also found to be significant for receiving antenatal care; it is highest for Khulna division. Again, rural women less likely (OR = 0.659) to receive antenatal care than that of urban women. The higher educated women get 5.826 times more antenatal care than non-educated women. Mother exposed to media receives more antenatal care than that of non-exposed mothers. We have found strong association with the level of antenatal care obtained for, with all of the indicators of household decision making autonomy. More specifically, women who can make the final decision alone/jointly, in case of own health care and child health care are more likely to receive antenatal care in their last pregnancy than women who do not have a final say. Final say on own health care alone shows positive association with use of antenatal care when controlling for the socio-economic variables. Rural women's are less likely to receive antenatal care than that of urban women. Wealth index and Mother's education play vital role on antenatal care. Richest women get 2.219 times more antenatal care than that of the poorest women. Religious belief and media expose also influence the health care seeking behavior of pregnant women. In case of freedom of movement autonomy, in model 1, we have found significant effect for both of the indicators of autonomy on antenatal care. In full model, both of the indicators of freedom of movement autonomy still demonstrate a strong association with use of antenatal care. For women's attitude towards violence, in model 1, women who agree with wife beating are less likely (OR = .708) to receive antenatal care than women who disagree about wife beating. Regional impact is also found to be significant for receiving antenatal care; it is highest for Khulna division.

For limitation we cannot represent frequency distribution table. From our frequency distribution only 17.1% women delivered under medical facility where a majority of women (82.9%) delivered under non-medical facility.

In case of delivery care, for economic decision making autonomy, from the first models in Table 4(appendix), it is clear that women's final say on large household purchase jointly have a strong positive association with the level of delivery care obtained. Delivery care increases with age of respondents and later decrease for age 40+. Regional impact is also found to be significant for receiving delivery care. Mother's education, place of residence and wealth index shows significant effect. Model shows that women with secondary and higher educated husbands are 1.315 and 2.205 times respectively more likely to utilize the delivery care than women with non-educated husband. Antenatal care has significant effect on delivery care. Religious belief also influences the health care seeking behavior of pregnant women. For household decision making autonomy, we found strong association with the level of delivery care obtained for all the indicators of household decision making autonomy. More specifically, women who can make the final decision alone/jointly in case of own health care and child health care are more likely to have received delivery care in their pregnancy than women who do not have a final say. In full model both indicators showing no association with use of delivery care. Mother who receives antenatal care from trained provider gets 3.797 times delivery care than that of received no antenatal care. For freedom of movement autonomy, in

model 1, we have found significant effect for both of the indicators on delivery care. In full model, decision about going to health centre alone showing association with use of delivery care when controlling the demographic and socio-economic variable. For women's attitude towards violence, women who agree with wife beating are less likely to receive delivery care in their pregnancy than women who disagree about wife beating. In full model, agree with wife beating with use of delivery care when controlling for the demographic and socio-economic variable showed insignificant effect.

For economic and household decision making autonomy, from the first models in Table 5 (appendix), we have found significant effects for final say on large household purchases and final say on own healthcare jointly on postnatal care. In full model the two indicator of economic and household decision making autonomy demonstrated no association with postnatal care. Mother's education plays vital role on postnatal care, higher educated women receives more postnatal care than that of non-educated mothers. Antenatal care and delivery care have significant effect on postnatal care for all dimension of autonomy. In full model final say on child health care jointly demonstrates no association with use of postnatal care when controlling for the socio-economic variables. For freedom of movement autonomy, in first model, we found significant effect for final say on visit to family/relatives on postnatal care. In full model, we have included several determinants of postnatal care along with freedom of movement autonomy. Regional impact is also found to be significant for receiving postnatal care. It is highest for Khulna division. For women's attitude towards violence, women who agree with wife beating are less likely to receive postnatal care in their pregnancy than women who disagree about wife beating.

### **Women's Autonomy and Child Health Care Seeking Behavior**

From percentage distribution we know, 82% children are fully immunized while 18% children are not fully immunized.

From Table 6(appendix) we can summarize that, for economic decision making autonomy in model 1 & model 2 we found insignificant association with seeking child immunization. Division and mother's education shows significant association with child immunization for economic and household decision making autonomy. In first model, children of mother, who have contribute to final say on child care jointly are found to be 1.725 times more likely to immunized than that children of mother who do not have final say. In case of freedom of movement autonomy, from table 6(appendix) we found that for first model final say on visit family/relatives jointly, has significant association with child immunization. In full model, final say on visit family/relatives jointly still retained its significance. Division, mother's education, birth order are found to be significant differential on child immunization. In case of attitudes towards domestic violence, who disagree wife beating are more likely to receive all necessary vaccinations and showing significant effect for both model.

## Conclusion

In this study we have assessed decision making autonomy of women by six indicators and in addition, another indirect measure of women's autonomy, which is attitude towards wife beating have also been used. From our study we have found that, women's level of autonomy increases with the increase of age. Urban women are more autonomous than their rural counterparts. Working and educated women are more likely to be associated with most of the dimensions of autonomy. Women's economic status has also an impact on her decision making power. Most of the autonomy indicators are related to maternal health care seeking behavior. With increasing women's autonomy child immunization also increases.

Women's development is a global concern. In most of the developing countries and noticeably in Bangladesh also, women issues are in the forefront and the government of Bangladesh has taken many initiatives to guarantee the equal rights of men and women. But in Bangladesh women's position is not yet satisfactory. So, today raising women's status is a powerful force for improving the health, longevity, mental and physical capacity, and productivity of the next generation of young adults.

Recent policies toward improving maternal and child health care are heavily tilted toward providing formal education to women with the hope that it will enhance their power and consequently influence access to health care. While this approach is commendable, we suggest that policymakers also should pay attention to factors that directly limit the decision-making autonomy of women in Bangladesh. This is justified by the fact that women's autonomy and socioeconomic factors, especially education and rural-urban residence can affect health care utilization independently.

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### APPENDIX

**Table 1: Multinomial logistic regression analysis for predicting women’s autonomy by background characteristics, BDHS 2007.**

Background Characteristics	Women involved in decisions to					
	Purchase large items	Purchase daily items	own healthcare	child healthcare	Visit families	Goes to health centre alone
<b>Age</b>						
15-19(r)	1	1	1	1	1	1
20-24	2.014 <sup>c</sup>	1.595 <sup>c</sup>	2.459 <sup>c</sup>	2.166 <sup>c</sup>	2.413 <sup>c</sup>	1.530 <sup>c</sup>
25-29	3.027 <sup>c</sup>	2.114 <sup>c</sup>	3.969 <sup>c</sup>	2.520 <sup>c</sup>	3.093 <sup>c</sup>	2.397 <sup>c</sup>
30-34	3.400 <sup>c</sup>	2.921 <sup>c</sup>	3.558 <sup>c</sup>	2.762 <sup>c</sup>	4.098 <sup>c</sup>	2.595 <sup>c</sup>
35-39	5.007 <sup>c</sup>	2.928 <sup>c</sup>	5.763 <sup>c</sup>	3.566 <sup>c</sup>	5.239 <sup>c</sup>	2.001 <sup>c</sup>
40+	4.235 <sup>c</sup>	3.092 <sup>c</sup>	5.097 <sup>c</sup>	3.151 <sup>c</sup>	4.916 <sup>c</sup>	3.449 <sup>c</sup>
<b>Division</b>						
Barisal(r)	1	1	1	1	1	1
Chittagong	0.930	0.970	0.979	1.064	0.741 <sup>b</sup>	1.004
Dhaka	0.382	1.391 <sup>c</sup>	0.629 <sup>c</sup>	1.011	0.627 <sup>c</sup>	1.142
Khulna	1.460 <sup>a</sup>	1.526 <sup>c</sup>	0.877	1.480 <sup>b</sup>	0.703 <sup>a</sup>	1.393 <sup>a</sup>
Rajshahi	0.914	2.281 <sup>c</sup>	0.708 <sup>b</sup>	1.382 <sup>b</sup>	0.857	0.892
Sylhet	0.952	0.726 <sup>b</sup>	0.580 <sup>c</sup>	0.497 <sup>c</sup>	0.557 <sup>c</sup>	0.503 <sup>c</sup>
<b>Place of residence</b>						
Urban(r)	1	1	1	1	1	1
Rural	0.744 <sup>b</sup>	1.030	0.738 <sup>c</sup>	0.990	0.795 <sup>b</sup>	0.659 <sup>c</sup>
<b>Working status</b>						
Not working(r)	1	1	1	1	1	1
Working	1.445 <sup>c</sup>	1.697	1.138	1.359 <sup>c</sup>	1.590 <sup>c</sup>	1.359 <sup>c</sup>
<b>Religion</b>						
Muslim(r)	1	1	1	1	1	1
Non-Muslim	0.450 <sup>c</sup>	0.772 <sup>b</sup>	0.669 <sup>b</sup>	0.785	0.492 <sup>c</sup>	0.835
<b>Background Characteristics</b>	<b>Women involved in decisions to</b>					
	<b>Purchase large items</b>	<b>Purchase daily items</b>	<b>own healthcare</b>	<b>child healthcare</b>	<b>Visit families</b>	<b>Goes to health centre alone</b>
<b>Partner education</b>						
No education(r)	1	1	1	1	1	1
Primary	0.999	0.766 <sup>c</sup>	0.981	0.952	0.853	0.919

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Secondary	0.739 <sup>a</sup>	0.765 <sup>b</sup>	1.005	0.962	1.010	0.821 <sup>a</sup>
Higher	0.721	0.737 <sup>a</sup>	0.843	2.658 <sup>c</sup>	1.212	0.841
<b>Wealth index</b>						
Poorest(r)	1	1	1	1	1	1
Poorer	0.940	1.232 <sup>a</sup>	1.097	0.979	0.913	0.693 <sup>c</sup>
Middle	0.806	1.210 <sup>a</sup>	0.815	1.054	1.113	0.868
Richer	0.843	1.180	0.943	0.953	1.133	0.751 <sup>b</sup>
Richest	0.742	1.258	0.937	1.060	1.100	0.597 <sup>c</sup>
<b>Watch TV</b>						
No(r)	1	1	1	1	1	1
Yes	1.673 <sup>c</sup>	1.166 <sup>a</sup>	1.311 <sup>b</sup>	1.452 <sup>c</sup>	1.336 <sup>b</sup>	1.535 <sup>c</sup>

r : Reference category, <sup>a</sup> Significant at 10%, <sup>b</sup> Significant at 5%, <sup>c</sup> Significant at 1%

**Source: Calculated from the 2007 BDHS**

**Table 2: Binary logistic regression estimates for women's justification of wife beating by selected background characteristics, BDHS 2007.**

Background characteristics	Odds ratio	Background characteristics	Odds ratio
<b>Age</b>		<b>Division</b>	
15-19(r)	1	Barisal(r)	1
20-24	0.804 <sup>b</sup>	Chittagong	0.817 <sup>b</sup>
25-29	0.897	Dhaka	0.546 <sup>c</sup>
30-34	0.984	Khulna	0.851
35-39	0.895	Rajshahi	0.583 <sup>c</sup>
40+	1.059	Sylhet	0.788 <sup>b</sup>
<b>Type of place of residence</b>		<b>Current working status</b>	
Urban(r)	1	Not Working(r)	1
Rural	1.063	Working	0.985
<b>Respondent education</b>		<b>Partner education</b>	
No education(r)	1	No education(r)	1
Primary	1.034	Primary	0.972
Secondary	1.051	Secondary	1.004
Higher	0.391 <sup>c</sup>	Higher	0.782 <sup>a</sup>
<b>Religion</b>		<b>Read newspaper</b>	
Muslim(r)	1	No(r)	1
Non-Muslim	0.727 <sup>c</sup>	Yes	0.787 <sup>b</sup>

r : Reference category, <sup>a</sup> Significant at 10%, <sup>b</sup> Significant at 5%, <sup>c</sup> Significant at 1%

**Source: Calculated from the 2007 BDHS**

**Table 3: Binary logistic regression estimates for antenatal care by selected background characteristics and autonomy indicators, BDHS 2007**

Background characteristics	Receive antenatal care							
	Model 1 (With EDMA*)	Model 2 (Full)	Model 1 (With HDMA*)	Model 2 (Full)	Model 1 (With FMA*)	Model 2 (Full)	Model 1 (With ATDV*)	Model 2 (Full)
<b>FSPLI*</b>								
Husband/others( r)	1	1						
Respondent alone	1.287 <sup>b</sup>	1.262						
Respondent jointly	1.310 <sup>c</sup>	1.160 <sup>a</sup>						
<b>FSPDI*</b>								
Husband/others( r)	1	1						
Respondent alone	1.046	1.120						
Respondent jointly	1.032	1.055						
<b>FSOHC*</b>								
Husband/others( r)			1	1				
Respondent alone			1.178	1.263 <sup>a</sup>				
Respondent jointly			1.193 <sup>b</sup>	1.013				
<b>FSCHC*</b>								
Husband/others( r)			1	1				
Respondent alone			1.417 <sup>c</sup>	1.126				
Respondent jointly			1.388 <sup>c</sup>	1.225 <sup>b</sup>				
<b>FSVFOR*</b>								
Husband/others( r)					1	1		
Respondent alone					1.387 <sup>c</sup>	1.258 <sup>a</sup>		
Respondent jointly					1.310 <sup>c</sup>	1.143 <sup>a</sup>		
<b>GHCA*</b>								
No( r)					1	1		
Yes, alone					1.422 <sup>c</sup>	1.422 <sup>c</sup>		
Yes, with other					1.198 <sup>b</sup>	1.311 <sup>c</sup>		
<b>Read newspaper</b>								
No( r)		1		1		1		1
Yes		2.164 <sup>c</sup>		2.190 <sup>c</sup>		2.106 <sup>c</sup>		2.164 <sup>c</sup>
<b>Background characteristics</b>	<b>Receive antenatal care</b>							
	Model 1 (With EDMA*)	Model 2 (Full)	Model 1 (With HDMA*)	Model 2 (Full)	Model 1 (With FMA*)	Model 2 (Full)	Model 1 (With ATDV*)	Model 2 (Full)
<b>Wife beating Justified</b>								
No( r)							1	1
Yes							0.708 <sup>c</sup>	0.928
<b>Age</b>								
15-19( r)		1		1		1		1
20-24		1.443 <sup>c</sup>		1.438 <sup>c</sup>		1.429 <sup>c</sup>		1.457 <sup>c</sup>
25-29		1.527 <sup>c</sup>		1.512 <sup>c</sup>		1.491 <sup>c</sup>		1.553 <sup>c</sup>
30-34		1.756 <sup>c</sup>		1.769 <sup>c</sup>		1.715 <sup>c</sup>		1.811 <sup>c</sup>
35-39		1.692 <sup>c</sup>		1.693 <sup>c</sup>		1.687 <sup>c</sup>		1.751 <sup>c</sup>
40+		1.349		1.339		1.299		1.392
<b>Division</b>								
Barisal( r)		1		1		1		1

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Chittagong		1.081		1.094		1.091		1.095
Dhaka		0.973		1.013		0.983		0.986
Khulna		1.598 <sup>c</sup>		1.630 <sup>c</sup>		1.621 <sup>b</sup>		1.642 <sup>c</sup>
Rajshahi		1.581 <sup>c</sup>		1.619 <sup>c</sup>		1.651 <sup>b</sup>		1.615 <sup>c</sup>
Sylhet		1.137		1.173		1.180		1.130
<b>Place of residence</b>								
Urban( r)		1		1		1		1
Rural		0.659 <sup>c</sup>		0.659 <sup>c</sup>		0.676 <sup>b</sup>		0.661 <sup>c</sup>
<b>Religion</b>								
Muslim( r)		1		1		1		1
Non Muslim		1.270 <sup>b</sup>		1.254 <sup>a</sup>		1.267 <sup>a</sup>		1.256 <sup>a</sup>
<b>Watch TV</b>								
No( r)		1		1		1		1
Yes		1.349 <sup>c</sup>		1.355 <sup>c</sup>		1.329 <sup>c</sup>		1.369 <sup>c</sup>
<b>Background characteristics</b>	<b>Receive antenatal care</b>							
	<b>Model 1 (EDMA*)</b>	<b>Model 2 (Full)</b>	<b>Model 1 (HDMA*)</b>	<b>Model 2 (Full)</b>	<b>Model 1 (FMA*)</b>	<b>Model 2 (Full)</b>	<b>Model 1 (ATDV*)</b>	<b>Model 2 (Full)</b>
<b>Partner education</b>								
No education( r)		1		1		1		1
Primary		1.151 <sup>a</sup>		1.141		1.154 <sup>a</sup>		1.144
Secondary		1.716 <sup>c</sup>		1.700 <sup>c</sup>		1.718 <sup>c</sup>		1.698 <sup>c</sup>
Higher		1.638 <sup>c</sup>		1.599 <sup>c</sup>		1.625 <sup>c</sup>		1.610 <sup>c</sup>
<b>Respondent education</b>								
No education( r)		1		1		1		1
Primary		1.514 <sup>c</sup>		1.529 <sup>c</sup>		1.500 <sup>c</sup>		1.516 <sup>c</sup>
Secondary		2.109 <sup>c</sup>		2.131 <sup>c</sup>		2.098 <sup>c</sup>		2.110 <sup>c</sup>
Higher		5.826 <sup>c</sup>		5.856 <sup>c</sup>		5.821 <sup>c</sup>		5.878 <sup>c</sup>

r : Reference category, <sup>a</sup> Significant at 10%, <sup>b</sup> Significant at 5%, <sup>c</sup> Significant at 1%

\*NOTES: FSPLI= Final say on purchasing large items, FSPDI= Final say on purchasing daily items, FSOHC= Final say on own health care, FSCHC= Final say on child's health care, FSVFOR= Final say on visits to family or relatives, GHCA=Goes to health centre alone, EDMA= Economic decision making autonomy, HDMA= Household decision making autonomy, FMA= Freedom of movement autonomy, ATDV= Attitude towards domestic violence

Source: Calculated from the 2007 BDHS



**Table 4: Binary logistic regression estimates for delivery care by selected background characteristics and autonomy indicators, BDHS 2007.**

Background characteristics	Receive delivery care							
	Model 1 (With EDMA*)	Model 2 (Full)	Model 1 (With HDMA*)	Model 2 (Full)	Model 1 (With FMA*)	Model 2 (Full)	Model 1 (With ATDV*)	Model 2 (Full)
<b>FSPLI*</b>								
Husband/others( r)	1	1						
Respondent alone	1.215	1.192						
Respondent jointly	1.462 <sup>c</sup>	1.105						
<b>FSPDI*</b>								
Husband/others( r)	1	1						
Respondent alone	0.944	0.882						
Respondent jointly	0.912	0.842						
<b>FSOHC*</b>								
Husband/others( r)			1	1				
Respondent alone			1.157	1.012				
Respondent jointly			1.307 <sup>c</sup>	0.974				
<b>FSCHC*</b>								
Husband/others( r)			1	1				
Respondent alone			1.708 <sup>c</sup>	1.132				
Respondent jointly			1.393 <sup>c</sup>	0.903				
<b>FSVFOR*</b>								
Husband/others( r)					1	1		
Respondent alone					1.530 <sup>c</sup>	1.109		
Respondent jointly					1.378 <sup>c</sup>	0.971		
<b>GHCA*</b>								
No( r)					1	1		
Yes, alone					1.325 <sup>c</sup>	1.118		
Yes, with other					1.224 <sup>b</sup>	1.294 <sup>b</sup>		
<b>Background characteristics</b>	<b>Receive delivery care</b>							
	<b>Model 1 ( EDMA*)</b>	<b>Model 2 (Full)</b>	<b>Model 1 (HDMA*)</b>	<b>Model 2 (Full)</b>	<b>Model 1 ( FMA*)</b>	<b>Model 2 (Full)</b>	<b>Model 1 (ATDV*)</b>	<b>Model 2 (Full)</b>
<b>Age</b>								
15-19( r)		1		1		1		1
20-24		1.236		1.225		1.226		1.227
25-29		1.835 <sup>c</sup>		1.788 <sup>c</sup>		1.803 <sup>c</sup>		1.821 <sup>c</sup>
30-34		2.675 <sup>c</sup>		2.617 <sup>c</sup>		2.611 <sup>c</sup>		2.648 <sup>c</sup>
35-39		4.219 <sup>c</sup>		4.028 <sup>c</sup>		4.164 <sup>c</sup>		4.193 <sup>c</sup>
40+		3.887 <sup>c</sup>		3.772 <sup>b</sup>		3.806 <sup>c</sup>		3.872 <sup>b</sup>
<b>Division</b>								
Barisal( r)		1		1		1		1
Chittagong		0.926		0.896		0.919		0.919
Dhaka		1.377 <sup>a</sup>		1.393 <sup>a</sup>		1.347 <sup>a</sup>		1.351 <sup>a</sup>
Khulna		1.722 <sup>c</sup>		1.703 <sup>c</sup>		1.699 <sup>c</sup>		1.701 <sup>c</sup>
Rajshahi		1.102		1.093		1.094		1.078
Sylhet		0.957		0.970		0.956		0.948
<b>Place of residents</b>								
Urban( r)		1		1		1		1
Rural		0.605 <sup>c</sup>		0.610 <sup>c</sup>		0.601 <sup>c</sup>		0.609 <sup>c</sup>

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<b>Respondent education</b>						
No education( r)	1		1		1	1
Primary	1.975 <sup>c</sup>		1.959 <sup>c</sup>		1.975 <sup>c</sup>	1.986 <sup>c</sup>
Secondary	3.700 <sup>c</sup>		3.645 <sup>c</sup>		3.709 <sup>c</sup>	3.713 <sup>c</sup>
Higher	5.468 <sup>c</sup>		5.429 <sup>c</sup>		5.557 <sup>c</sup>	5.444 <sup>c</sup>
<b>Wealth index</b>						
Poorest( r)	1		1		1	1
Poorer	0.633 <sup>b</sup>		0.628 <sup>b</sup>		0.636 <sup>b</sup>	0.634 <sup>b</sup>
Middle	0.791		0.817		0.787	0.794
Richer	0.988		1.011		0.980	0.989
Richest	1.839 <sup>c</sup>		1.951 <sup>c</sup>		1.837 <sup>c</sup>	1.840 <sup>c</sup>
<b>Partner education</b>						
No education( r)	1		1		1	1
Primary	0.997		0.982		0.994	0.998
Secondary	1.315 <sup>a</sup>		1.273		1.315 <sup>a</sup>	1.317 <sup>a</sup>
Higher	2.205 <sup>c</sup>		2.180 <sup>c</sup>		2.182 <sup>c</sup>	2.191 <sup>c</sup>
<b>Read newspaper</b>						
No( r)	1		1		1	1
Yes	1.274 <sup>b</sup>		1.268 <sup>b</sup>		1.263 <sup>b</sup>	1.268 <sup>b</sup>
<b>Watch TV</b>						
No( r)	1		1		1	1
Yes	1.313 <sup>b</sup>		1.285 <sup>b</sup>		1.329 <sup>b</sup>	1.319 <sup>b</sup>
<b>Religion</b>						
Muslim( r)	1		1		1	1
Non Muslim	1.492 <sup>c</sup>		1.536 <sup>c</sup>		1.518 <sup>c</sup>	1.482 <sup>c</sup>
<b>Birth order</b>						
First birth( r)	1		1		1	1
2nd-3rd birth	0.409 <sup>b</sup>		0.410 <sup>b</sup>		0.404 <sup>b</sup>	0.410 <sup>b</sup>
4th+	0.185 <sup>c</sup>		0.185 <sup>c</sup>		0.183 <sup>c</sup>	0.187 <sup>c</sup>
<b>Receive Antenatal care</b>						
None( r)	1		1		1	1
Trained	3.752 <sup>c</sup>		3.797 <sup>c</sup>		3.736 <sup>c</sup>	3.749 <sup>c</sup>
Untrained	1.687		1.740 <sup>b</sup>		1.679 <sup>b</sup>	1.695 <sup>b</sup>

r : Reference category, <sup>a</sup> Significant at 10%, <sup>b</sup> Significant at 5%, <sup>c</sup> Significant at 1%

**NOTES:** FSPLI= Final say on purchasing large items, FSPDI= Final say on purchasing daily items, FSOHC= Final say on own health care, FSCHC= Final say on child's health care, FSVFOR= Final say on visits to family or relatives, GHCA=Goes to health centre alone, EDMA= Economic decision making autonomy, HDMA= Household decision making autonomy, FMA= Freedom of movement autonomy, ATDV= Attitude towards domestic violence

**Source: Calculated from the 2007 BDHS**

**Table 5: Binary logistic regression estimates for postnatal care by selected background characteristics and autonomy indicators, BDHS 2007.**

Background characteristics	Receive postnatal care							
	Model 1 (With EDMA*)	Model 2 (Full)	Model 1 (With HDMA*)	Model 2 (Full)	Model 1 (With FMA*)	Model 2 (Full)	Model 1 (ATDV*)	Model 2 (Full)
<b>FSPLI*</b>								
Husband/others (r)	1	1						
Respondent alone	1.161	0.940						
Respondent jointly	1.184 <sup>b</sup>	0.855						
<b>FSPDI*</b>								
Husband/others(r)	1	1						
Respondent alone	0.976	1.003						
Respondent jointly	0.984	1.103						
<b>FSOHC*</b>								
Husband/others(r)			1	1				
Respondent alone			1.181	0.963				
Respondent jointly			1.309 <sup>c</sup>	1.048				
<b>FSCHC*</b>								
Husband/others(r)			1	1				
Respondent alone			1.525 <sup>c</sup>	1.235				
Respondent jointly			1.184 <sup>b</sup>	1.002				
<b>FSVFOR*</b>								
Husband/others(r)					1	1		
Respondent alone					1.353 <sup>c</sup>	0.977		
Respondent jointly					1.235 <sup>c</sup>	1.019		
<b>GHCA*</b>								
No(r)					1	1		
Yes, alone					1.221 <sup>c</sup>	1.038		
Yes, with other					1.111	0.995		
<b>Wife beating Justified</b>								
No(r)							1	1
Yes							0.685 <sup>c</sup>	0.985
<b>Age</b>								
15-19(r)		1		1		1		1
20-24		0.974		0.976		0.971		0.977
25-29		1.056		1.043		1.046		1.053
30-34		0.936		0.920		0.927		0.934
35-39		1.088		1.056		1.081		1.086
40+		0.852		0.837		0.841		0.847
<b>Division</b>								
Barisal(r)		1		1		1		1
Chittagong		1.041		1.016		1.028		1.026
Dhaka		0.630 <sup>c</sup>		0.628 <sup>c</sup>		0.621 <sup>c</sup>		0.621 <sup>c</sup>
Khulna		1.107		1.085		1.083		1.087
Rajshahi		0.643 <sup>c</sup>		0.638 <sup>b</sup>		0.626 <sup>c</sup>		0.624 <sup>c</sup>
Sylhet		0.857		0.873		0.859		0.852
<b>Background characteristics</b>	<b>Receive postnatal care</b>							
	<b>Model 1 (With EDMA*)</b>	<b>Model 2 (Full)</b>	<b>Model 1 (With HDMA*)</b>	<b>Model 2 (Full)</b>	<b>Model 1 (With FMA*)</b>	<b>Model 2 (Full)</b>	<b>Model 1 (ATDV*)</b>	<b>Model 2 (Full)</b>

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<b>Respondent education</b>								
No education(r)		1		1		1		1
Primary		1.064		1.048		1.062		1.063
Secondary		1.380 <sup>b</sup>		1.369 <sup>b</sup>		1.379 <sup>b</sup>		1.375 <sup>b</sup>
Higher		2.063 <sup>c</sup>		2.057 <sup>c</sup>		2.034 <sup>c</sup>		2.037 <sup>c</sup>
<b>Wealth index</b>								
Poorest(r)		1		1		1		1
Poorer		1.152		1.145		1.149		1.158
Middle		1.145		1.143		1.144		1.153
Richer		1.302 <sup>a</sup>		1.284 <sup>a</sup>		1.304 <sup>a</sup>		1.309 <sup>a</sup>
Richest		1.272		1.272		1.267		1.271
<b>Working status</b>								
Not working(r)		1		1		1		1
Working		1.025		1.017		1.014		1.011
<b>Read newspaper</b>								
No(r)		1		1		1		1
Yes		1.374 <sup>b</sup>		1.349 <sup>b</sup>		1.373 <sup>b</sup>		1.374 <sup>b</sup>
<b>Birth order</b>								
First birth(r)		1		1		1		1
2 <sup>nd</sup> -3 <sup>rd</sup> birth		0.985		0.977		0.977		0.984
4 <sup>th</sup> +		0.987		0.985		0.980		0.990
<b>Receive antenatal care</b>								
None(r)		1		1		1		1
Trained		2.198 <sup>c</sup>		2.181 <sup>c</sup>		2.182 <sup>c</sup>		2.188 <sup>c</sup>
Untrained		2.372 <sup>c</sup>		2.359 <sup>c</sup>		2.360 <sup>c</sup>		2.341 <sup>c</sup>
<b>Delivery care</b>								
No (r)		1		1.		1		1
Yes		44.87 <sup>c</sup>		43.94 <sup>c</sup>		44.754 <sup>c</sup>		44.718 <sup>c</sup>

r : Reference category, <sup>a</sup> Significant at 10%, <sup>b</sup> Significant at 5%, <sup>c</sup> Significant at 1%

**NOTES:** FSPLI= Final say on purchasing large items, FSPDI= Final say on purchasing daily items, FSOHC= Final say on own health care, FSCHC= Final say on child's health care, FSVFOR= Final say on visits to family or relatives, GHCA=Goes to health centre alone, EDMA= Economic decision making autonomy, HDMA= Household decision making autonomy, FMA= Freedom of movement autonomy, ATDV= Attitude towards domestic violence

Source: Calculated from the 2007 BDHS

**Table 6: Binary logistic regression estimates of child immunization by selected background characteristics and autonomy indicators, BDHS 2007.**

Background characteristics	Child immunization							
	Model 1 (With EDMA*)	Model 2 (Full)	Model 1 (With HDMA*)	Model 2 (Full)	Model 1 (With FMA*)	Model 2 (Full)	Model 1 (With ATDV*)	Model 2 (Full)
<b>FSPLI*</b>								
Husband/others(r)	1	1						
Respondent alone	0.853	0.843						
Respondent jointly	1.195	1.165						
<b>FSPDI*</b>								

Husband/others(r)	1	1						
Respondent alone	1.084	1.103						
Respondent jointly	1.367	1.284						
<b>FSOHC*</b>								
Husband/others(r)			1	1				
Respondent alone			0.857	0.749				
Respondent jointly			1.179	1.029				
<b>FSCHC*</b>								
Husband/others(r)			1	1				
Respondent alone			1.426	1.273				
Respondent jointly			1.725 <sup>c</sup>	1.659 <sup>b</sup>				
<b>FSVFOR*</b>								
Husband/others(r)					1	1		
Respondent alone					1.182	1.151		
Respondent jointly					1.534 <sup>c</sup>	1.400 <sup>a</sup>		
<b>GHCA*</b>								
No(r)					1	1		
Yes, alone					1.129	1.007		
Yes, with other					0.995	1.008		
<b>Wife beating Justified</b>								
No(r)							1	1
Yes							0.669 <sup>b</sup>	0.751 <sup>a</sup>
<b>Division</b>								
Barisal(r)		1		1		1		1
Chittagong		0.339 <sup>c</sup>		0.351 <sup>c</sup>		0.338 <sup>c</sup>		0.340 <sup>c</sup>
Dhaka		0.435 <sup>b</sup>		0.440 <sup>b</sup>		0.442 <sup>b</sup>		0.445 <sup>b</sup>
Khulna		0.592		0.605		0.592		0.603
Rajshahi		0.583		0.578		0.587		0.592
Sylhet		0.303 <sup>c</sup>		0.310 <sup>c</sup>		0.300 <sup>c</sup>		0.300 <sup>c</sup>
<b>Background characteristics</b>								
<b>Child immunization</b>								
	<b>Model 1 (With EDMA)</b>	<b>Model 2 (Full)</b>	<b>Model 1 (With HDMA)</b>	<b>Model 2 (Full)</b>	<b>Model 1 (With FMA)</b>	<b>Model 2 (Full)</b>	<b>Model 1 (With ATDV)</b>	<b>Model 2 (Full)</b>
<b>Respondent education</b>								
No education(r)		1		1		1		1
Primary		1.044		1.039		1.039		1.076
Secondary		2.239 <sup>c</sup>		2.229 <sup>c</sup>		2.200 <sup>c</sup>		2.254 <sup>c</sup>
Higher		3.206 <sup>b</sup>		3.177 <sup>a</sup>		3.133 <sup>a</sup>		3.097 <sup>a</sup>
<b>Partner education</b>								
No education(r)		1		1		1		1
Primary		1.388		1.439 <sup>a</sup>		1.397		1.339
Secondary		1.135		1.174		1.124		1.075
Higher		1.766		1.770		1.721		1.679
<b>Working status</b>								
Not working(r)		1		1		1		1
Working		0.798		0.807		0.799		0.801
<b>Birth order</b>								
First birth(r)		1		1		1		1
2 <sup>nd</sup> -3 <sup>rd</sup> birth		1.502 <sup>a</sup>		1.545 <sup>a</sup>		1.490 <sup>a</sup>		1.563 <sup>b</sup>
4 <sup>th</sup> +		1.358		1.439		1.353		1.424

r : Reference category, <sup>a</sup> Significant at 10%, <sup>b</sup> Significant at 5%, <sup>c</sup> Significant at 1%

**NOTES:** FSPLI= Final say on purchasing large items, FSPDI= Final say on purchasing daily items, FSOHC= Final say on own health care, FSCHC= Final say on child's health care, FSVFOR= Final say on visits to family or relatives, GHCA=Goes to health centre alone, EDMA= Economic decision making autonomy, HDMA= Household decision making autonomy, FMA= Freedom of movement autonomy, ATDV= Attitude towards domestic violence

**Source: Calculated from the 2007 BDHS**

# Measuring the Customer Satisfaction Level of 3G Services in Bangladesh

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**Abstract:** *The telecommunication industry of Bangladesh has been observing a dynamic shift from talk time based business to data based business. The intervention of 3G services has opened up newer ways to satisfy the consumers. This study tries to measure the level of customer satisfaction of 3G services in Bangladesh. The purpose of this research is to identify the factors that result in greater customer satisfaction. Findings of previous studies related to this issue are taken into consideration in this article. Fifteen (15) correlated variables are selected from related literatures. Factor analysis has been conducted to reduce the number of total variables. Bartlett's test of Sphericity has been used along with the Kaiser-Meyer-Olkin (KMO) statistic. Apart from factor analysis, some other frequency tables and various diagrams are also developed to describe the market scenario. SPSS 16.0 has been used to analyze the data collected from primary sources through stratified sampling technique.*

**Key words:** *3G Services, Telecommunication Industry, Customer Satisfaction Level, Bartlett's test of Sphericity, Kaiser-Meyer-Olkin Statistic.*

## 1. Introduction

Currently, the world passes every single moment with the help of information technology. At the beginning, Telegraph was only one medium of communication (Marland, 1964). But with the advent of information and communication technology, the scenario has been changed dynamically. People now have a wide range of alternatives available to communicate with their near and dear ones, conduct businesses, and serve other purposes. Mobile phone is the revolutionary invention of modern science. With the help of this, it is possible to communicate at any place of the whole world within the shortest possible time. This report emphasizes on a new contribution of science in the telecommunication industry of Bangladesh, called 3G. Though the 3G services is new in the market and the people of Bangladesh are not that accustomed to it, this study provides a preliminary view of customer satisfaction. The paper starts with background of this study along with objective, significance, and limitations. Next, a detailed review of literatures has been given to identify the variables to be used in this report as well as methodological issues that can be implemented. After that, the methodology used to conduct this study has been outlined. Later, the analytical part followed by findings and discussions have been made. Before concluding remarks, significant numbers of recommendations have been made.

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### **1.1 Background of the Study**

Bangladesh has entered the mobile world through the City Cell Company in 1993. Later on, Grameenphone (GP), Robi (formerly known as Aktel), Banglalink (formerly known as Sheba World), Teletalk, and Airtel (formerly known as Warid) entered the telecommunication market<sup>3</sup>. In the last five years, the use of cellular phones and telecommunication has grown exponentially. As a result, the market has become competitive than any time before. All the market players are trying hard to cut a good edge in the form of price packages, value added services, promotional activities, and the like. The scenario of competition has been changed drastically. Few days ago, the competition was based on various packages of call rates, value added service, etc. But now a day the operators give their attention to other aspects that would increase the standard of living of the people. The launch of 3G services has set a milestone for the operators. The operators want to make their business profitable, but to make it possible; they have to fulfill the need of the customers. At first, Teletalk launched their 3G services on test in the Bangladeshi market in October, 2012 (The New Age, 2014). Crossing the entry barrier of almost 18 months, all of the operators has got the 3G license and started providing 3G based facilities to their customers. According to the Bangladesh Telecommunication Regulatory Commission (BTRC), GP added 16 lakh subscribers, Banglalink 8.31 lakh, Robi 7.82 lakh, and Airtel added 2.3 lakh subscribers after the commercial launch of 3G services. So, a huge number of population are now using 3G and the operators are trying to gather more subscribers to make their business more profitable and sustainable. This notion has set the ideation of conducting the research to find out the optimum satisfaction level of customers till date to check whether the operators are successful in their venture.

### **1.2 Objective of the Study**

The main objective of the study is to measure the customer satisfaction level of 3G services offered by telecommunication operators in Bangladesh. Apart from this, this study also focuses on following specific objectives:

- To understand the 3G penetration in Bangladeshi market
- To track customer needs from 3G value added services
- To find out what aspects of 3G value added service has been served till date

### **1.3 Significance of the Study:**

This study is not just a mere academic study, rather it covers a wide area to serve different group of people. With the help of this research, the authors of this study can determine the satisfaction level of the customers of 3G services as well as they can come to know about the factors that are responsible for this. Talking about other researchers, this study sets a platform for other researchers to gather more knowledge about 3G and conduct their respective further researches by adding or deleting some of the variables what have been used in this study. The paper will help the business world by providing information on what the customers want from 3G value added services. Moreover, they will come to know if they successfully serve the need of the consumers, whether this will

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<sup>3</sup> Source: Mobile Operators in Bangladesh, electronically searched at [www.deshimobile.blogspot.com](http://www.deshimobile.blogspot.com).



be a profitable venture for them and sustainable in the long run. And finally, if the telecommunication operators improve the services, the consumers as well as the society will get better 3G services that will help them improve their lifestyle. Consequently, the telecom operators will be able to hatch greater profit by providing 3G services to the subscribers.

#### **1.4 Limitations of the Study:**

While conducting the study, some limitations can be pointed out that critics may find to be demeaning as well as other researchers may find to be reestablishing. A total of 15 variables have been used in this study considering the perspective of telecommunication services in Bangladesh. There can be some other variables that may influence customer satisfaction. The market penetration of 3G is still not that matured. Even many operators still could not run this service in a full swing up to the capacity. Thus, this study may lack reliability as it is based on early adopters. Moreover, this study has been conducted using factor analysis. There are many other statistical tools and analyses that may be helpful.

## **2. Literature Review**

The number of researches focusing on customer satisfaction is voluminous. Different researchers tried to measure customer satisfaction on various issues. This study emphasizes on the customer satisfaction of 3G services launched by telecommunication operators of Bangladesh. Five of total six operators have already launched 3G value added services and it is high time to anticipate whether the operators are properly serving consumer needs. This section firstly identifies independent variables from related literatures and then finds various statistical aspects that can be used to measure customer satisfaction in relevant field.

### **2.1 Identification of variables**

While measuring the customer satisfaction of the services provided by the telecommunication operators, one study showed that friendly and courteous behavior of knowledgeable employees has been found to be the most prominent factor (Hokanson, 1995). The study also revealed that the accuracy in billing system, pricing of services, value provided to the customers, and faster service delivery are other factors responsible for customer satisfaction in telecommunication industry. Another study highlighted on social status of the consumers associated with telecommunication operator as the most significant aspect to satisfy the consumers (Rani et al., 2012). Apart from this, price package and simplicity of service design are found to be influencing factors for increased customer satisfaction. A model has been developed by (Wang et al., 2004) where customer satisfaction for 3G services offered by telecommunication providers has been shown to be a result of service quality, information quality, and system quality ((DeLone & McLean, 2003).

A rigorous study has been conducted in order to find out the factors responsible for customer satisfaction of 3G services in India. Based on that study, customers desire thorough care from the employees, fast recovery of service failure, compensation when needed, favorable tariff and data plan, customized promotional offerings, and other value

added services as points of difference from other competitors (Jamil, 2011). As musts in service delivery, they require greater and stronger network coverage and recharge points at convenient locations. Some new factors have been found in one study where subsidized handset and technological adoption are emphasized mostly (GSMA, 2011). As 3G service allows consumers to browse internet at high speed, it should enable consumers to get access anytime of the day ensuring fullest security of personal information and web surfing along with keeping back up data in case consumers need it (Zarife, 2009).

Based on the aforementioned study conducted on the problem at hand, some variables have been taken directly from the literature that would influence the customer satisfaction of 3G services in Bangladesh. For the perspective of Bangladesh, the variables that can be derived from literature in this study are timely usage of 3G services, reasonable price plan, 3G related value added services and promotional offerings, social status due to 3G usage, cheaper than other alternatives, faster internet, wide availability of network coverage and recharge points, use of updated technology, and online security. Along with this, some other variables have been included in this study that might have impact in customers' satisfaction of 3G services. These variables are billing accuracy of 3G packages, quick connectivity to 3G service whenever available, notification on 3G connection, and usage based pricing.

## **2.2 Methodological Issues**

As the number of related researches is many, so does the methodological issues used in those researches. One of the simplest ways to measure customer satisfaction is to use Customer Satisfaction Index (CSI) by comparing customer needs with products and services belonging to same industry (Angelova et al., 2011). In the USA, a common indicator is used to evaluate the quality of products and services based on the American Customer Satisfaction Index (ACSI) that enables consumers to measure their satisfaction among products from different industries. This index is properly monitored by the US government where consumers rate products on a 1-10 scale (Cassel, 2006). By using Structural Equation Modeling (SEM), a structure can be developed to define the satisfaction level as a result of different components that are considered to be relevant for explaining the overall satisfaction and the data are collected in a continuous scale in order to understand the actual gap in the responses and replicate the scenario in the structure.

The extent of customer satisfaction can be presented in an equation as the summation of standardized quality and customized quality, each multiplied with its relative importance (Khattar, 2006). Customer Satisfaction Rating can be obtained through a questionnaire for individual product based on experience and objective judgment, although this rating can be influenced by emotional bias. To remove such problem, it has been highly recommended to collect samples based on cluster technique to ensure heterogeneity within each cluster (Chemuturi, 2007). In order to measure customer satisfaction through survey, it has been suggested to survey over 1000 respondents from larger population including various demographic and attitudinal queries. After finding the key drivers or variables affecting customer satisfaction, multiple regression can be used to find relative importance of each of these variables. Presenting the findings through bubble charts

make it easier and simpler to communicate with the audience and point out the weaker areas that companies can improve to ensure customer satisfaction. While measuring customer satisfaction for a longer period of time, the Best Value Performance Indicator Survey technique has been developed to compare product and service performance and corresponding satisfaction associated with it (Anderson et al., 1997).

Based on the literature and theoretical aspects, different techniques to measure customer satisfaction has been found. This study considers factor analysis in order to find the key determinants out of all the variables found through literature.

### **3. Methodology:**

This study bases mainly on quantitative research to describe the market scenario of current telecommunication industry. Thus, this study is a descriptive research that has been conducted using primary data mostly and collecting secondary data to a very minimal extent. The primary data have been collected through surveying the respondents and the secondary data have been collected from different websites. The target population of this study includes all subscribers of mobile operators and the sampling frame has been short listed based on the usage of 3G services in the divisional cities of Bangladesh. The initial sample size of the study was 60 which are then rounded to nearest decimal considering 95% incidence rate and 95% completion rate. Thus, the final sample size becomes 66<sup>4</sup>. The samples have been collected through stratified sampling technique where the entire respondents were grouped into four strata (student, businessmen, service holder, and others). Later, from each stratum, a predetermined number of respondents, emphasizing on students and service holders as the key market of 3G services, have been collected randomly. The questionnaire prepared to collect data included some MCQ based demographic questions followed by research topic oriented purposive questions on which the respondents were asked to put their agreement or disagreement based on a 5-points likert scale. Factor analysis, along with some pie charts, frequency tables, and other diagrams, has been used to analyze the data. The collected data have been analyzed using SPSS 16.0 and taking support of MS Excel 2007.

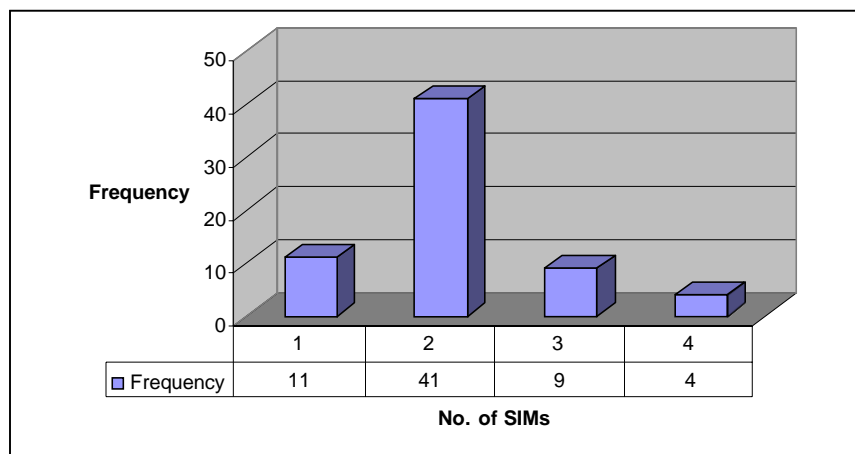
## **4. Data Analysis**

### **4.1 Demographic Analyses**

Though this study mainly focuses on factor analysis in order to find out whether the customers are satisfied with 3G services. Apart from this, some other demographic analyses have been made that would provide the readers and other practitioners to get a brief idea about the market.

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<sup>4</sup> Out of total 66 respondents, 58 were Male and 8 were female; 55 belonged to 20 to 30 years, 8 belonged to 30 to 40 years and 3 were over 40 years old; and 27 were Students, 3 were Businessmen, 33 were Service Holder, and 3 Others.



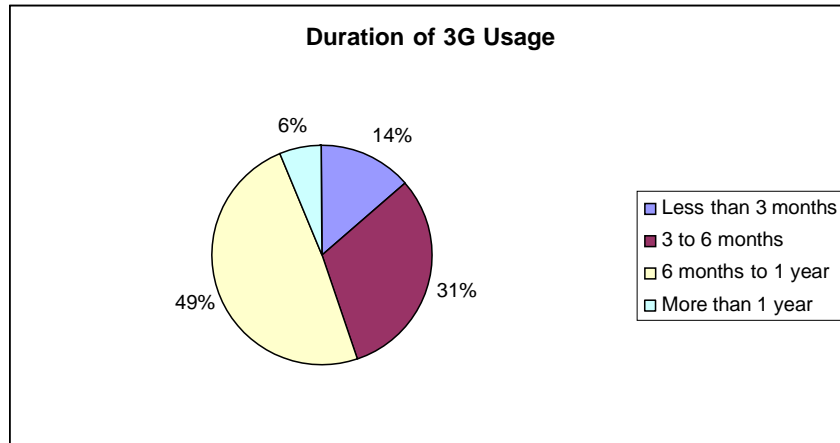
**Figure 1: Number of Operators**

The figure above shows that most of the respondents (41 out of 66) use 2 SIMs of different operators. The number of single SIM user is not that significant (only 11 out of 66). One astonishing fact is that there are some subscribers (4) who use 4 SIMs of different operators for various purposes.

	1st Operator	2nd Operator	3rd Operator	4th Operator
<b>GP</b>	25	6	2	
<b>Airtel</b>	16	20	3	
<b>Banglalink</b>	3	14	4	2
<b>Robi</b>	20	13	2	
<b>Teletalk</b>				2
<b>Citycell</b>			1	

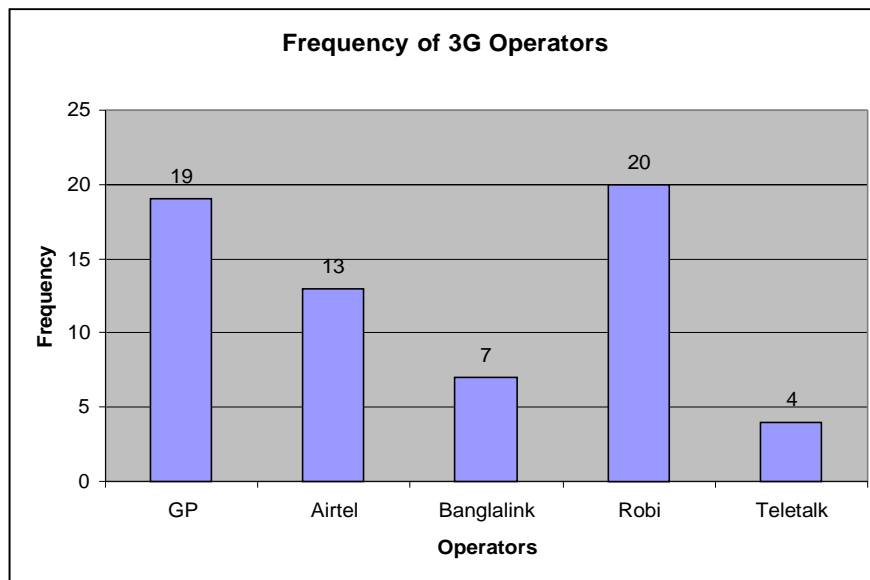
**Table 1: Comparison of Network Operators as Usage Basis**

The table above shows that most of the respondents (25) use GP as their 1<sup>st</sup> SIM operator followed by Robi (20) and Airtel (16). As the 2<sup>nd</sup> operator, respondents prefer Airtel mostly (20) with almost equal choice of Banglalink and Robi (14 and 13 respectively). There are very insignificant number of subscribers use 3 or 4 operators. It can also be seen that the selection of Citycell and Teletalk remains at last stages out of all operators.



**Figure 2: Duration of 3G Usage**

The pie-chart above gives a brief of the duration of using 3G services of the respondents. Out of all the respondents, 49% of them are using 3G for more than 6 months but less than 1 year and 31% of them are using it for more than 3 months but less than 6 months.



**Figure 3: Frequency of 3G Operators**

The table above presents the frequency of 3G users of different operators. It is apparent that Robi is leading the 3G market with maximum frequency (20 out of 66) followed by stiff competition from GP (19 out of 66). Though Teletalk is the pioneer in this market, they are lagging far behind (4 out of 66).

#### 4.2 Factor Analysis

In this study, 15 variables have been taken into consideration. The variables are derived from reviewing the literature on related subject matter. And for the factor analysis to be appropriate, the variables must have to be correlated. These variables are as follows:

- V1 – Billing Accuracy
- V2 – Timely Manner
- V3 – Reasonable Price
- V4 – Additional Features
- V5 – Quick Connection
- V6 – Social Status
- V7 – Cheaper than Alternatives
- V8 –Faster Internet
- V9 – Promotional Activities
- V10 – Availability
- V11 – Easy Recharge
- V12 – Updated Technology
- V13 –Regular Notification
- V14 –Internet Usage Based Pricing
- V15 –Online Security

Bartlett’s test of sphericity has been used to test the null hypotheses that the variables in the study are not correlated. In other words, the null hypothesis states that the population correlation matrix is an identity matrix. In an identity matrix, all the diagonal terms are 1 and all off-diagonal terms are 0. The test statistic for sphericity is based on a chi-square transformation of the determinant of the correlation matrix. A large value of the test statistic will favor the rejection of the null hypotheses. If this hypothesis cannot be rejected, the appropriateness of the factors will be questioned. Another useful statistic is the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy. This index compares the magnitudes of the observed correlation coefficients to the magnitudes of the partial correlation coefficients. Small values (below 0.5) of the KMO statistic indicate that the correlations between pairs of variables cannot be explained by other variables and that factor analysis may not be appropriate.

#### KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.647
Bartlett's Test of Sphericity	Approx. Chi-Square	314.825
	df	105
	Sig.	.000

**Table 2: KMO and Bartlett’s Test**

Consequently, from the above table, it is apparent that factor analysis is appropriate. Here, the KMO value is **.647**, which is between 0.5 and 1.0, and the approximate chi-square statistic is **314.825** with **105** degrees of freedom, which is significant at the **0.05**

levels. Therefore, the null hypotheses can be rejected and the alternative hypotheses that all variables are correlated to each other can be accepted. To analyze the variables ranging from V1 to V15, factor analysis has been used for data reduction. This analysis divulges the most important factors that contribute to satisfaction of 3G services of telecommunication operators in Bangladesh.

**Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.716	24.774	24.774	3.716	24.774	24.774
2	2.636	17.572	42.347	2.636	17.572	42.347
3	1.414	9.423	51.770	1.414	9.423	51.770
4	1.182	7.882	59.652	1.182	7.882	59.652
5	1.024	6.825	66.478	1.024	6.825	66.478
6	.898	5.984	72.462			
7	.840	5.600	78.062			
8	.675	4.502	82.564			
9	.589	3.927	86.491			
10	.524	3.496	89.987			
11	.483	3.222	93.209			
12	.364	2.423	95.632			
13	.277	1.848	97.480			
14	.220	1.467	98.948			
15	.158	1.052	100.000			

**Table 3: Total Variance Explained**

From the above table, only 5 factors have been extracted, as cumulative percentage is greater than 70% at this point and eigenvalue is greater than 1.0 (it is recommended that factors with eigenvalues greater than 1.0 should be retained) that indicates the adequacy of the analysis using derived factors.

**Rotated Component Matrix**

	Component				
	1	2	3	4	5
q8a_Billing_Accuracy	.087	.053	.027	.055	<b>.801</b>
q8b_Timely_Manner	.299	.090	<b>.416</b>	.379	.252
q8c_Reasonable_Price	<b>.516</b>	-.012	.358	.490	-.100
q8d_Additional_Features	-.084	-.086	<b>.518</b>	.510	-.376
q8e_Quick_Connection	<b>.629</b>	.181	.165	.067	-.491
q8f_Social_Status	.307	-.201	<b>.791</b>	-.033	.091
q8g_Cheaper_than_Alternatives	-.050	.172	-.100	<b>.654</b>	.278

q8h_Faster_Internet	<b>.819</b>	.025	.114	-.133	.140
q8i_Promotional_Activities	.153	.163	.076	<b>.682</b>	-.091
q8j_Availability	<b>.771</b>	-.272	.114	.174	.210
q8k_Easy_Recharge	-.041	<b>.568</b>	-.248	.457	-.051
q8l_Updated_Technology	-.020	<b>.867</b>	.035	.109	.014
q8m_Regular_Notification	.114	.362	<b>.766</b>	-.029	-.105
q8n_Internet_Usage_Based_Pricing	<b>.740</b>	-.392	.131	.164	-.102
q8o_Online_Security	-.250	<b>.713</b>	.177	.136	.072

**Table 4: Rotated Component Matrix**

The extracted 5 factors can be interpreted in terms of the variables that load high coefficients. From the rotated component matrix table, factor 1 has high coefficients for Faster Internet (.819), Availability (.771), Internet Usage Based Pricing (.740), Quick Connection (.629), and Reasonable Price (.516). Thus, factor 1 can be entitled as “**Convenient Usage**”. Factor 2 has high coefficients for Updated Technology (.867), Online Security (.713), and Easy Recharge (.568). Thus, this factor may be labeled as “**Logistical Support**”. Factor 3 has high coefficients for Social Status (.791), Regular Notification (.766), Additional Features (.518), and Timely Manner (.416). Hence, this can be tagged as “**Delight Factors**”. Again, Factor 4 has high coefficients for Promotional Activities (.682) and Cheaper than Alternatives (.654). So, this factor can be named “**Promotional and Competitive Pricing**”. Finally, Factor 5 has very high coefficients for Billing Accuracy (.801). Thus, the fifth factor can be named as the variable indicates “**Billing Accuracy**”.

## 5. Findings and Discussion

The value of KMO and Bartlett’s test of sphericity has been found to be significant (.000) at 0.05 level. This indicates that customers are satisfied with the 3G services so far. From the detailed analysis derived from conducting factor analysis, five major factors are found responsible for the customer satisfaction about 3G services offered by telecommunication operators of Bangladesh. The first factor of ‘*convenient usage*’ indicates that people want to get 3G connection quickly and at a higher speed. At the same time, they want available 3G connections everywhere at a reasonable usage-based price. The second factor of ‘*logistical support*’ means that 3G subscribers want the telecom operators to update technology frequently along with ensuring online security of subscribers’ personal information. Moreover, they desire ease in recharging their accounts. Thirdly, the ‘*delight factors*’ indicate that customers aspire to receive additional features and regular notifications of 3G services and get access to it in a timely manner. Even, they think using 3G services gives them a unique social status. The fourth factor of ‘*promotional and competitive pricing*’ points out at cheaper price plan compared to competitors and promotional offerings initiated by the operators to delight the subscribers. The fifth factor highlights on ‘*billing accuracy*’ so that consumers have to pay the fair rate without any hidden charges and conditions.



## 6. Conclusion

With the successive growth of information technology, the lifestyle of people is becoming easier and simpler. In order to sustain in the market profitably, business firms also try to delight the consumers with newer product and service offerings. The same thing goes true in case of telecommunication industry of Bangladesh. There is stiff price competition going on backed by severe value added services based competition. 3G services is the latest war tool and five of total six operators are striving hard to grab the market share as much as possible. This study reveals that the operators are successful in fulfilling the needs of consumers about 3G services. And their satisfaction mainly bases on how conveniently they can use this service, how well firms are providing logistical supports, what delighting factors are provided apart from key service offerings, how competitive pricing is offered and promotional activities are undertaken, and how accurately they are paying the bill. For any operator to stand out in the crowd of competitors, it must have to ensure these five factors as a must to ensure me-too selling product and go for additional services offerings to retain the customers and make them loyal.

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# The Tipping Point: The Flame of the Word of Mouth in Marketing

Md. Anwar Sadat Shimul<sup>1</sup>

The Tipping Point: How Little Things Can Make a Big Difference

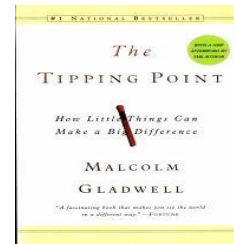
Author: Malcolm Gladwell

Publisher: Little, Brown and Company,  
Hachette Book Group

237 Park Avenue, New York, NY 10017

Publishing year: 2000.

Pages: 302



The idea of tipping point has got significant importance in the discourse of sociology, physics, environmental science, natural disaster and epidemic management. Malcolm Gladwell, a British-Canadian journalist, wrote the book titled ‘The Tipping Point: How Little Things Can Make a Big Difference’ in the year 2000. It caught the attention of readers within a very short period of time and the book triumphed with the best seller list both nationally and internationally. Malcolm defined the tipping point as a magical moment when an idea, trend or behavior crosses a threshold and spreads like the flame of fire. The phenomenon is compared with contagious diseases such as cold, cough and influenza whereas a small idea or incident can create a significant change in our life.

In the first five chapters of the book, Malcolm discusses three rules of tipping points: the law of few, the stickiness factor, and the power of context followed by case studies in the next two chapters. According to the author only very few people can create social epidemics in the world. Those people are rare in type and are identified as gifted personality to the society. Hence, the readers are introduced to three types of people – connectors, mavens and salesmen. Connectors are the people who have a very wide social network. They go beyond the box to build and maintain relationship with various types of people surrounding them. Connectors are also expert in building trust and reliability on their social circles. Malcolm explains the idea linking the historical story of Paul Revere’s *mid-night ride*, Kevin Bacon’s *six-degrees of separation theory* and Stanley Milgram’s *small world phenomenon*. With his compelling storytelling skills, Malcolm unveils the mystery of the re-birth of the world famous shoe brand hush puppies in mid 1990s. The readers also find a new explanation of the syphilis epidemic in Baltimore city in connection to 80/20 principles. The second type of people, Maven, is the hub of market information. They spend good amount of time in reading newspaper, watching TV and roaming in the marketplace. Thus mavens possess extra-ordinary social skills and intelligence in communicating and influencing others. The final group of people that Malcolm brings out is known as salesmen. Although they are not seller by

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profession, salesmen have all the persuasive characteristics successful salespersons. The law of stickiness highlights on the way a message is being delivered. The author explains it with the success story of children's TV show – The Sesame Street – in the USA. He also takes the readers to the efficacious promotional campaign of the cigarette band Winston. Malcolm depicts how a short and simple but catchy pay-off line in an advertisement can take an average brand to a leading position in the market. Finally, the readers are exposed to the power of context that explains the environmental setting in which an event is taking place. The author illuminates the reasons behind the sudden increases in the suicide rate in Micronesia area, the rapid growth of smoking among teenagers in the USA and the sudden dramatic fall of the crime rate in New York City. Malcolm points out how Wilson and Kelling's *broken window theory* and Darley and Latane's *bystander's problem principle* worked out on those incidents.

Although the book is tagged in the category of social psychology, it has significant implication and application opportunity in the field of Marketing. It is needless to mention that in the hypercompetitive world of marketing everyday new players are sharpening the edge of warfare and consumers are bombarded with thousands of messages from companies. In this over-communicated society, a significant portion of advertising messages is ignored by the consumers and researches show that consumers' trust in advertising contents are decreasing day by day. Under such circumstances, marketing experts emphasize on utilization of positive word-of-mouth in which a satisfied consumer spreads the good side of the product in their social surroundings. The technological revolution with Internet and social networks over the last one decade has opened a new window to capitalize on the power of word-of-mouth strategy. The success story of the book '*Divine Secret of Ya-Ya Sisterhood*' can be mentioned here. The author of that book Rebecca Wells was not anyone famous in the field of contemporary literature, except she acted in some dramas in her earlier life and published a short story book that got attention of the readers in her own town Seattle only. After publishing the book in 1996, in her reading sessions for '*Divine Secret of Ya-Ya Sisterhood*', Rebecca found around six to eight people attending and the book ultimately sold around 15,000 copies in hardcover version. Next year, the paperback version of the book sold around 30,000 copies and following the popularity the publisher advertised the book in a magazine. The next result was dramatic; the book took position in the best seller's list and by 1998 in a total of 18 editions, the book was sold around 2.5 million copies. Rebecca received tremendous fame and popularity among readers. Malcolm explains the mystery behind Rebecca's success though the *power of context* rule. The story of the book was interesting and grabbed the attention of the readers, but the real secret of success was on the promotional campaign of the book. The book was promoted as '*to be read in group*' which worked like magic. Readers around the USA shared the story of the book with friends and families whereby so many readers found similarity between the story and their own lives. Even formation of *Ya-Ya Sisterhood Club* became hype among the reading groups. It was the power of the word-of-mouth that transformed an ordinary writer to best-selling author. Only word of mouth tipped the popularity of the book and pushed it to an extraordinary level. In similar fashion, marketers can deploy the theories of The Tipping Point

and get access to success with an unconventional technique through word-of-mouth communications.

Although a good number of critics have mentioned the flaws of Malcolm's propositions for lacking scientific proof and evidences, *The Tipping Point* is highly recommended for the readers who are curious about the power of small things that can make big differences. Even though the book was published about fourteen years back, its impact and power are still so powerful that the Northwestern University in the USA makes it a mandatory book for the students in Consumer Behavior class. I hope the marketing professionals, researchers and students in our country will find a new window for thought by reading this book.

# Factors Affecting the Solvency of Commercial Banks of Bangladesh: An Empirical Evidence

Shehidul Hoque<sup>1</sup>

Dr. K.M. Zahidul Islam<sup>2</sup>

Ratul Kumar Saha<sup>3</sup>

***Abstract:** This paper aims at identifying the contributing factors to the solvency condition of selected commercial banks of Bangladesh and to propose a model that can be utilized to identify insolvency of the banks. The assumption behind the study entails that a bank may fail due to insolvency and there are factors with both systematic and idiosyncratic contents to influence the condition. The study further focuses on discovering significance of those contributing factors to the solvency of commercial banks of Bangladesh so that the model can be better utilized. The study used data of selected Bangladeshi commercial banks listed in Dhaka Stock Exchange and some macroeconomic data during the period of 2004-11. The data were analyzed using panel data regression method under both fixed effect and random effect frameworks. The study further conducts Hausman test, Wooldridge test, and Heterokedasticity test to validate the regressions models. The paper utilizes an insolvency ratio as a proxy of the solvency condition of the banks. The results show that the market valuation component, the ratio of income from securities to effective capital and the interaction term between Texas ratio and unemployment rate have significant impact on the insolvency ratio. Although serious liquidity problems theoretically can cause an otherwise solvent bank to fail under certain conditions, however, the findings of the study indicate that liquidity does not significantly affect the solvency condition of Bangladeshi commercial banks.*

***Key Words:** Solvency Condition, Insolvency, Panel Data, OLS, Regression, Accounting ratios, Texas Ratio.*

## 1.0 Introduction

Banks stand as the most important financial intermediaries in an economy by pursuing liquidity transformation and other services. The banking sector of Bangladesh observed a significant growth for years as reflected in higher profit margin, healthy competition and acceptable return to the shareholders. The banking sector of Bangladesh faced serious challenges as a number of scams came out regarding the preferential lending and non-performing loans in recent past. Most of the banks' profit went down because of higher default loan that resulted in higher loan loss provision (Bangladesh Bank, 2012). The malfunctioning of the sector can be tremendously exorbitant to the economy as evident in the global credit-liquidity turmoil that took place recently. It is even more costly in

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economies like Bangladesh where businesses largely depend on the banking sector for their financing needs. “The institutional context of the banking system can hardly be over-emphasized. In today's modern economy confidence in the banking sector is critical for economic and social stability. Lack of confidence and poor performance can cause economic havoc. The global financial crisis is an important reminder of the damage that can emerge from a poorly managed and supervised financial system. A weak banking system can also be a major source of rent seeking and corruption” (Ahmed, 2010). The recent scams of Sonali Bank Limited and BASIC Bank Limited are examples of such poor performance, ineffective management, and rather sluggish supervision. Moreover, the commencement of operations by a number of new banks is expected to lead to fierce competition in the industry which may make the industry unstable (Carletti and Hartmann, 2002).

The banking sector of Bangladesh is comparatively large in comparison to the equivalent economies in terms of GDP growth rate and per capita income. The size of the sector is about 60% of the total GDP of Bangladesh. The sector has started to experience increased non-performing loans (NPL) in both gross and net measures. The gross NPL to total loans of the sector rose from 11.91% in September, 2012 and stood as high as 12.8% in September 2013 (Bangladesh Bank, 2013). This was fueled by the increment in total classified loan that increased to 8.4% whereas total outstanding loan increased by only 1%. More importantly, all the four categories of banks i.e., the state-owned commercial banks (SCBs), the specialized banks (SBs), the private commercial banks (PCBs), and the foreign commercial banks (FCBs) experienced significant deteriorations in non-performing loan measures. The provision shortfall of the banking sector stood at BDT 32.8 billion in September 2013 which was 34% higher over the provision shortfall in June, 2012. Moreover, the net NPL ratios for SCBs, SBs, PCBs and FCBs stood 9.0%, 22.3%, 2.8% and 1.7% respectively in September 2013 (Bangladesh Bank, 2013). Such alarming rise in the non-performing loans provokes questions regarding sustainability issues and failures potential of banks. However, the solvency issue and the failure probability of Bangladeshi banks experienced little attention in academic researches.

In Bangladesh a few research works have been conducted on banks and most of the researches dealt with the profitability of the commercial banks (Hossain and Bhuiyan, 1990; Avkiran, 1997; Siddique and Islam, 2001; Chowdhury, 2002; Jahangir et al., 2007, Chowdhury and Islam, 2007). Hossain and Bhuiyan (1990) argue that the level of performance of any organization (bank) can be measured by the degree of its effectiveness as an organization. Chowdhury (2002) states that the presence of state-owned, foreign and private commercial banks make the banking industry of Bangladesh a mixed industry and the fierce competition in the industry makes the performance assessment of commercial banks a dire necessity. Siddique and Islam (2001) show that commercial banks act as one of the major contributors to the economy of Bangladesh and pointed out that the banks are giving satisfactory performance in terms of average profitability. Jahangir et al., (2007) argue that the profitability of banks is well reflected through the loan to deposit ratio.

Khan et al., (2009) and Khan (2010) evaluated the social disclosure practices followed by the commercial banks of Bangladesh in order to research the corporate social reporting

standard followed by the Bangladeshi banks. The study of Watanagase (1990) try to shed light on the reasons behind the banking distress in Bangladesh and pointed out that the weak management that enables preferential lending acted as the main reason behind the ache. Ahmed (2010) also outlines that the preferential lending is distress pouring and recommends adequate regulations and supervision to safeguard the banking industry especially the state-owned commercial banks.

Defining the solvency condition of bank requires complex analysis. Wu and Hong (2012) propose a ratio that could be used as a proxy for the solvency condition of a bank at a specific point in time. They find some variables having strong impact in solvency and liquidity conditions of bank that eventually affect the probability of bankruptcy. Those variables that are publicly available in Bangladeshi context are used in this study to see their impacts on the solvency condition of Bangladeshi commercial banks. This paper unveils the major factors contributing to the insolvency conditions of Bangladeshi commercial banks.

The rest of the paper is structured as follows: Section two shows the brief introduction of the banking sector of Bangladesh followed by the third section outlining literature review. Section four outlines the data and variables construction followed by section five that presents the objectives of the study. Section six deals with the methodology of the study. Section seven presents the empirical findings and the last section concludes the paper with some suggestions for further study.

## **2.0 Banking Sector in Bangladesh**

The financial system of Bangladesh is mainly dominated by the banking sector. The banking sector includes 4 state-owned commercial banks (SCBs), 4 government-owned specialized development banks (SDBs), 39 domestic private commercial banks (PCBs), 9 foreign commercial banks (FCBs) and 4 non-scheduled banks. Thirty banks are enlisted in the capital market of Bangladesh. The major indicators of performance of banking industry are different accounting ratios. Table 1 shows that banks' return on asset (ROA) was only 0.6% in 2012, the lowest in four-years, while it was 1.3%, 1.7% and 1.4% in 2011, 2010 and 2009 respectively. At the same time, banks' return on equity (ROE) also declined to 7.8% in the year 2012 whereas it was 14.3 % in 2011. In 2012, the net profit of the banking sector was only Tk.44.66 billion, a 42 percent decrease from that of the year 2011(Bangladesh Bank, 2013). The capital adequacy ratio maintained by the banking sector also dropped to 10.46 % in 2012 while it was 11.3 % in 2011. More than 80 % of the Bangladeshi scheduled banks maintained their minimum capital adequacy ratios (CAR) at the end of 2012. This indicates a quite substantial part of the banking assets belonged to the banks which fulfilled the minimum requirement of CAR (Bangladesh Bank, 2013).

From Table 1, it is obvious that the portion of classified loans increased significantly in 2012 compared to the previous years. The ratio of classified loans to total loans was 10% in 2012 while it was 6.2% in 2011. Classified loan to capital ratio also experienced a sharp increase from 43.6% in 2011 to 74.2% in 2012. Provisions to classified loans ratio shifted down to 44% by the end of the 2012 compared to 63.8% at the end of the 2011,

that indicates provisions maintained for classified loan did not increase in line with the rise in the classified loan.

**Table 1: Selected Ratios of Banking Sector of Bangladesh (Figures in Percentage)**

Ratio	2009	2010	2011	2012
ROA	1.4	1.7	1.3	0.6
ROE	19.9	19.9	14.3	7.8
Capital Adequacy Ratio	11.7	9.3	11.3	10.46
Classified loans to Total Loans	9.2	7.1	6.2	10.0
Classified loans to Capital	79.7	54.8	43.6	74.2
Provision to Classified loans	61.3	65.1	63.8	44.4

Source: Financial Stability Report, 2012

Bangladesh bank divides classified loan into three categories: sub-standard loan, doubtful loan and bad & loss loan. Table 2 shows the breakdown of classified loans in 2012. The total amount of classified loan was Tk. 427.3 billion in 2012. The bad & loss portion stood highest among three categories of classified loan. It constitutes about 66.7% of total amount of classified loans whereas sub-standard and doubtful loans constitute about 19.1% and 14.2 % respectively.

**Table 2: Classified Loan Composition of Year 2012 (Amount in Billion BDT)**

Particulars	Amount	% of Total
Sub-standard	81.4	19.1%
Doubtful	60.8	14.2%
Bad & Loss	285.0	66.7%
Total	427.3	100%

Source: Financial Stability Report, 2012

The financial performance of the banks is greatly influenced by the extent of the classified loan out of the total loans disbursed. At the end of 2012, the banking industry of Bangladesh maintained a cumulative provision of BDT 189.8 billion due to the presence of large amount of classified loans which was only BDT 148.9 billion at the end of 2011 (Bangladesh Bank, 2013). In 2011, the banking sector maintained provision more than required (surplus of BDT 9.6 billion) but at the end of 2012 the sector could not maintain the required provision that resulted in BDT 52.6 billion shortfall in provision. This was due to the significant provision shortfall in eight commercial banks which adversely affected the picture of the whole banking sector of the country though all other banks maintained surplus provision in that period (Bangladesh Bank, 2013).

**Table 3: Banking Sector Loan-Loss Provision (Amount in Billion BDT)**

Year	Required Provision	Provision Maintained	Surplus (shortfall)
2005	88.3	42.5	-45.8
2006	106.1	52.9	-53.1
2007	127.1	97	-30.1
2008	136.1	126.2	-9.9



2009	134.7	137.8	3.1
2010	150.8	146.8	-3.9
2011	139.3	148.9	9.6
2012	242.39	189.77	-52.62

Source: Financial Stability Report, 2012

A number of high-profile loan scams in recent years threatened the proper functioning and the sustainability of this industry. The scam related to Sonali Bank Limited and Hall-Mark Group was the biggest scandal in the industry. The regulators unveiled similar discrepancies in some other Govt. and private commercial banks. As a result, at least two leading banks have requested the government for recapitalization (Emran, 2013).

### 3.0 Literature Review

According to the historians modern banking initiated in Italy in thirteenth century and the first crises in banking system causing extinction of few financial houses recorded in 33 A.D in Rome. Calomiris (1989) mentions some reasons of the crisis of Rome which included, *inter alia*, a slave rebellion, scam, liquidity-draining supervision policies, defaults on overseas debt etc. Caprio Jr. and Klingebiel (1996) argue that “there are three general types of bank insolvency: those limited to a single bank or a small number of banks, which clearly are not systemic; overt banking system runs; and a more silent form of financial distress”. Overt runs are recognized when a banking panic occurs. Calomiris and Gorton (1991) define banking panic as an incident when “bank debt holders at all, or many, banks in the banking system suddenly demand that banks convert their debt claims into cash (at par) to such an extent that the banks suspend convertibility of their debt into cash”. Generally this type of panic happens all of a sudden and this does not persist for a long time. Developing economies often experiences the financial distress of the banking system because of the higher stake of the government in the industry (Caprio Jr. and Klingebiel,1996).

King et al., (2006) show in their survey that a process involving search through many accounting ratios has been used in the most of the bank insolvency prediction and recognition models. These accounting-ratio-based models initiated by Altman (1968) and Beaver (1966) are widely followed in bank solvency studies. Wu and Hong (2012) argue that most models explaining bank insolvency fall into this group (Arena, 2008; Cole and Gunther, 1995; Brunnermeier et al., 2012; Cassil, 2009; Diamond and Dybvig, 1983; Demirgüç-Kunt and Huizinga 2012; Estrella et al., 2012; He and Xiong, 2012; Jesswein, 2009; Meyer and Pifer, 1970). These models are normally constructed by searching through a large number of accounting-ratio variables covering various bank specific and macro- economic factors. Among the recent studies, Konstandina (2006) finds that bank-specific factors play important role in explaining solvency and survival times while macroeconomic variables do not appear to be essential.

Meyer and Pifer (1970) examine the causes of bank insolvency and concluded that shift from solvency towards insolvency resulted from such factors as fraud and other financial irregularities, as contrasted to normal, financial concepts are generally used to measure the relative strength of banks. Wu and Hong (2012) use regression model and find from

the empirical evidence that banks with higher market valuation component are less likely to be insolvent. Estrella et al., (2012) explain that bank failures are strongly correlated with gross revenue ratio. It implies that banks with high revenue are less likely to be insolvent. In this research, interest income, income from securities and non- interest income were treated as the main sources of revenue for the bank. Demirgüç-Kunt and Huizinga (2012) argue that generation of some non-interest income can reduce the possibility of bank insolvency. However, the study by Brunnermeier et al., (2012) concludes that the banks with higher non-interest income have a higher contribution to risk of being insolvent than traditional banking.

Jesswein (2009) tries to find how the ratio of net non- performing asset to effective capital and the Texas ratio explain the solvency of banks and found that these ratios can moderately explain the insolvency of banks. Cassil (2009) states that higher unemployment rate will add stress to the financial institutions. According to Diamond and Dybvig (1983), serious liquidity problems can cause an otherwise solvent bank to become insolvent under certain conditions. Wu and Hong (2012) also argue that liquidity risk is one of the major predictors of bank insolvency. He and Xiong (2012) suggest that debt market liquidity can be used as an economic factor for predicting the solvency condition of a firm.

#### 4. Data and Variables Construction

The data used in this research both bank specific and macroeconomic. The bank specific data were collected from the annual reports of the banks. The macroeconomic data were collected from the central bank. The researchers mainly focused on the commercial banks listed in the Dhaka Stock Exchange (DSE). There are total 30 banks listed in DSE. In this study 24 banks out of 30 banks have been used due to data unavailability of the other banks. The time period under the research interest is 2004 to 2011.

##### *Variables Construction*

##### **Dependent Variable: The insolvency condition of bank**

The dependent variable of the proposed model is the solvency condition of bank  $i$  at time  $t$  ( $Y_{it}$ ). Inspired by Wu and Hong (2012), the researchers have used an insolvency ratio as a proxy for the solvency status of a bank. The ratios for the insolvency condition of Bank  $i$  at time  $t$  ( $Y_{it}$ ) is defined as the distance between the normalized value of the bank's equity and zero:

$$Y_{it} = \frac{E_{i,t}}{TCE_{i,t-1} + TP_{i,t-1}} - 0$$

Where  $E_{i,t}$  = The value of bank  $i$ 's equity at time  $t$ .

$TCE_{i,t-1}$  = Tangible Common Equity of Bank  $i$  at time  $t-1$ .

$TP_{i,t-1}$  = Total Provision of Bank  $i$  at time  $t-1$ .

Tangible common equity equals to total equity in this study. Total provision refers to the provisions maintained by banks for loan loss and diminution in value of investment. Provisions maintained for tax purpose is not included in total provision in this study. The summation of tangible common equity ( $TCE$ ) and total provision ( $TP$ ) can be viewed as

effective capital. Hereafter the word “effective capital” will be alternatively used to mean the sum of tangible common equity (*TCE*) and total provision (*TP*). Normalizing the banks’ equity using its effective capital, the insolvency condition of the bank is derived. The greater the value of this value the more solvent a bank is. If the value equals to zero or less than zero, the bank is insolvent.

**Independent Variables:**

**Measure of leverage multiplied by the ratio of return of assets to market discount rate:**

This first independent variable ( $X_{1,it}$ ) consists of two terms measure like leverage and ratio of return on asset to market discount rate. Measure of leverage is the ratio of total asset to effective capital.

$$X_{1,it} = \frac{A_{i,t}}{TCE_{i,t} + TP_{i,t}} + \frac{ROA_{i,t}}{r_t}$$

Where  $A_{i,t}$  = Total book value of asset of Bank  $i$  at time  $t$   
 $ROA_{i,t}$  = Return on asset of bank  $i$  at time  $t$   
 $r_t$  = Market discount rate.

Market discount rate ( $r_t$ ) is calculated as sum of country risk premium, 10 year T-bond rate at year  $t$  and TED spread at year  $t$ . Country risk premium for Bangladesh is collected from the research work of Damodaran (2012). The *TED* spread is the difference between the interest rates on interbank loans and on short-term government debt (T-bills). In this study *TED* spread is calculated as the difference between call money rate and 3 months T-bill (issued by Bangladesh Bank) rate. According to Wu and Hong (2012), this variable is called the market valuation component.<sup>4</sup> Researchers expect the coefficient on the  $X_{1,it}$  ( $\beta_1$ ) to be positive, as an increase in the return on assets increases the solvency while an increase in the market discount rate reduces the solvency. The leverage term (ratio of total assets to effective capital) serves as an amplifier for the effects of changes in the return on assets and in the market discount rate. In other words, this amplifier can make a good thing better and a bad thing worse.

**Ratio of interest income to effective capital and ratio of income from securities to effective capital:**

Ratio of interest income to effective capital is the second independent variable ( $X_{2,it}$ ) in this study. This ratio is calculated as follows:

$$X_{2,it} = \frac{\text{Interest Income}_{i,t}}{TCE_{i,t} + TCE_{i,t}}$$

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<sup>4</sup> The modeling of the market valuation component (Wu & Hong, 2012) is inspired by the works on the interaction between liquidity risk and mark-to-market valuation (Allen and Carletti (2008); and Plantin, Sapra, and Shin (2008)), and on asset pricing with liquidity risk by Acharya and Pedersen (2005), and Chordia, Huh, and Subrahmanyam (2009).

Again, the third independent variable ( $X_{3,it}$ ) is the ratio of income from securities to effective capital. Income from securities includes both the income from investments in government securities and other securities available in capital market. The ratio is calculated as follows:

$$X_{3,it} = \frac{\text{Securities Income}_{i,t}}{TCE_{i,t} + TP_{i,t}}$$

Interest incomes and incomes from securities of selected banks are collected from the income statements of the selected banks. Researchers expect to coefficients on  $X_{2,it}$  and  $X_{3,it}$  ( $\beta_2$  and  $\beta_3$ ) to have positive signs as banks with more income are more likely to be solvent.

**Ratio of interest expense to effective capital:**

Ratio of interest expense to effective capital is the fourth independent variable ( $X_{4,it}$ ) in this study. This ratio is calculated as follows:

$$X_{4,it} = \frac{\text{Interest Expense}_{i,t}}{TCE_{i,t} + TP_{i,t}}$$

Interest expenses of selected banks are collected from the Income statements of the selected banks. As more interest expense can negatively affect the solvency condition of banks, researchers expect to the coefficient on  $X_{4,it}$  ( $\beta_4$ ) to be negative.

**Ratio of net non- interest income to effective capital:**

Ratio of interest income to effective capital is the fifth independent variable ( $X_{5,it}$ ) in this study. This ratio is calculated as follows:

$$X_{5,it} = \frac{\text{Net Non - Interest Income}_{i,t}}{TCE_{i,t} + TP_{i,t}}$$

Banks' net non- interest income refers to the banks' net income minus the net interest income from loans and securities. Researchers do not have any priori expectation about the sign on the coefficient on the net non-interest income ( $\beta_5$ ). Demirgüç-Kunt and Huizinga (2012) argue that generation of some non-interest income can reduce the possibility of a bank's being insolvent. On the other hand, the study by Brunnermeier et al., (2012) conclude that the banks with higher non-interest income have a higher contribution to risk of being insolvent than traditional banking.

**Texas ratio multiplied by unemployment rate:**

The sixth independent variable of the proposed model consists of two components. First one is the ratio of net non-performing asset to effective capital. This ratio is commonly known as Texas ratio. This measure is developed by Gerard Cassidy at RBC Capital while analyzing bank stocks during the wave of failures that hit in the 1980s. This ratio is calculated as follows:

$$\text{Texas Ratio}_{i,t} = \frac{\text{Net Non - Performing Asset}_{i,t}}{\text{TCE}_{i,t} + \text{TP}_{i,t}}$$

Here net non-performing asset is calculated as the sum of total non- performing loans and fixed assets including premise and building. In this study non- performing loan refers to the classified loan. If this ratio is at or above 100%, the bank is at severe risk of failure because it might not have sufficient capital to cover its losses (Jesswein, 2009). The second one is the unemployment rate. The interaction term between Texas ratio and unemployment rate is the 6<sup>th</sup> independent variable

$$X_{6,it} = \frac{\text{Net Non - Performing Asset}_{i,t}}{\text{TCE}_{i,t} + \text{TP}_{i,t}} \times \text{Unemployment Rate}_t$$

According to Wu and Hong (2012), higher unemployment rate will add to the pressure of financial institutions and could lead them to insolvency. As higher unemployment rate will increase the possibility of bank being insolvent, the researchers expect the sign on the coefficient on  $X_{6,it}$  ( $\beta_6$ ) to be negative.

**Government securities ratio and total deposit Ratio**

Government securities ratio at the year  $t$  and total deposit ratio at the year  $t$  are the seventh and eighth independent variables of the proposed model respectively. These variables are calculated as follows:

$$X_{7,it} = \frac{\text{Total government securities}_{i,t}}{\text{Total Asset}_{i,t}}$$

$$X_{8,it} = \frac{\text{Total Deposit}_{i,t}}{\text{Total Asset}_{i,t}}$$

Here  $X_{7,it}$  is used as proxy for asset’s liquidity measure and  $X_{8,it}$  is used as a proxy for measure of fund stability. Serious liquidity problems can cause an otherwise solvent bank to become insolvent under certain conditions (Diamond and Dybvig, 1983). Wu and Hong (2012) argue that liquidity risk is one of the major predictor of the bank being insolvent. So the researchers expect the coefficient on the government securities ratio ( $\beta_7$ ) to be positive, as banks with more liquid assets are less likely to encounter liquidity difficulties. Lastly, the researchers do not have any prior expectation on the coefficient on the total deposit ratio ( $\beta_8$ ), as it is not possible to know with confidence that whether this deposit is stable or unstable and bank with excessive reliance on unstable funding are more likely to run into funding problems. Researchers’ expectations on different variables are summarized in the following table.

**Table 4: Expectation on Different Variables.**

Variable Type	Variables	Expected sign
Dependent	Proxy for Bank Solvency ( $Y_{it}$ )	
	Market Valuation Component ( $X_{1,it}$ )	+
	Ratio of Income from Securities to Effective Capital ( $X_{2,it}$ )	+

Independent	Ratio of Interest Income to Effective Capital ( $X_{3,it}$ )	+
	Ratio of Interest Expense to Effective Capital ( $X_{4,it}$ )	-
	Ratio of Net Non- Interest Income to Effective Capital ( $X_{5,it}$ )	+/-
	Texas Ratio Multiplied by Unemployment Rate ( $X_{6,it}$ )	-
	Government Securities Ratio ( $X_{7,it}$ )	+
	Total Deposit Ratio ( $X_{8,it}$ )	+/-

### 5.0 Objectives

This paper aims at identifying the contributing factors to the solvency of commercial banks of Bangladesh and to propose a model that can be utilized to judge insolvency of the banks. The study assumes that a bank may fail due to insolvency and there are factors with both systematic and idiosyncratic contents to influence the insolvency. The study further focuses on discovering significance of those contributing factors to the solvency of commercial banks of Bangladesh so that the model can be better utilized.

### 6.0 Methodology

#### Model Specification

Panel data regression method has been applied to conduct this study. If individual effect  $\mu_i$  (cross-sectional or time specific effect) does not exist ( $\mu_i = 0$ ), ordinary least squares (OLS) is most efficient and consistent parameter estimator (Park, 2011). The estimation under such assumption is specified as follows:

$$Y_{it} = \alpha + \beta_1 X_{1,it} + \beta_2 X_{2,it} + \beta_3 X_{3,it} + \beta_4 X_{4,it} + \beta_5 X_{5,it} + \beta_6 X_{6,it} + \beta_7 X_{7,it} + \beta_8 X_{8,it} + \varepsilon_{it}$$

(1)

$i = 1, 2, 3, 4, \dots, 24$

Here  $\varepsilon_{it}$  is the error term and other variables are explained as above. OLS consists of few basic assumptions. Those assumptions include no autocorrelation and homoscedasticity. If individual effect  $\mu_i$  is not zero in longitudinal data, heterogeneity may influence these assumptions. If autocorrelation and heteroskedasticity are found in collected data, the OLS estimator is no longer best unbiased linear estimator. Then panel data models provide a way to deal with these problems. Panel data models examine group (individual-specific) effects, time effects, or both in order to deal with heterogeneity or individual effect that may or may not be observed ((Park, 2011). These effects are either fixed or random effect. A fixed effect model examines if intercepts vary across time period or group. On the other hand a random effect model discovers differences in error variance components across time period or individual. The fixed effect model and random effect model are discussed below.

#### Fixed Effect Model and Random Effect Model

Fixed-effects (FE) model is used to analyze the influence of variables that differ over time. FE discover the connection between predictor and outcome variables within an entity (In this study, bank). Each bank has its own individual characteristics that may or not impact the predictor variables. The functional form of fixed effect model is:

$$Y_{it} = (\alpha + \mu_i) + \beta_1 X_{1,it} + \beta_2 X_{2,it} + \beta_3 X_{3,it} + \beta_4 X_{4,it} + \beta_5 X_{5,it} + \beta_6 X_{6,it} + \beta_7 X_{7,it} + \beta_8 X_{8,it} + v_{it}$$

(2)  $i = 1, 2, 3, 4, \quad 24$

Where  $\mu_i$  is a fixed or random effect specific to individual (bank) or time period that is not included in the regression, and errors are independent identically distributed,  $v_{it}$ . Since an individual specific effect is time invariant and considered a part of the intercept,  $\mu_i$  is allowed to be correlated with other regressors. This fixed effect model is estimated by within effect estimation methods. On the other hand the rationale behind using random effects model is that, unlike the fixed effects model, the deviation across entities is supposed to be random and uncorrelated with the included in the model. The functional form of random effect model is:

$$Y_{it} = \alpha + \beta_1 X_{1,it} + \beta_2 X_{2,it} + \beta_3 X_{3,it} + \beta_4 X_{4,it} + \beta_5 X_{5,it} + \beta_6 X_{6,it} + \beta_7 X_{7,it} + \beta_8 X_{8,it} + (\mu_i + v_{it})$$

(3)  $i = 1, 2, 3, 4, \quad 24$

It is assumed in a random effect model that individual effect is not correlated with any regressor and then estimates error variance specific to groups or times (Park ,2011). Here,  $\mu_i$  is considered as a component of the composite error term. For this reason a random effect model is also known as an error component model. Here random effect model is estimated by generalized least squares method. Both fixed effect and random effect model is run by the researchers by using statistical software Stata11.

### **Hausman Test**

Hausman test is run to identify whether fixed effect or random effect is significant in the panel data. The Hausman specification test compares fixed and random effect models under the null hypothesis that individual effects are uncorrelated with any regressor in the model (Hausman, 1978).

### **Wooldridge Test for Autocorrelation**

To identify whether autocorrelation exists in the panel data, Wooldridge test is run by the researchers in this study. Wooldridge (2002) derives a simple test for autocorrelation in panel-data models. Drukker (2003) provides simulation results showing that the test has good size and power properties in reasonably large sized samples. Null hypothesis for Wooldridge test shows there is no first order autocorrelation in the data. The rejection of null hypothesis means there is autocorrelation in data. Then fixed effect and random effect model would be run again by adjusting autocorrelation. Stata11 provides a way to run those models by adjusting autocorrelation. Hausman test is also run to identify the most effective model for controlled autocorrelation.

### **Testing for Heteroskedasticity in Panel Data**

The panel data is also further tested to identify whether heteroskedasticity exists in the data. A test for heteroskedasticity is available for the fixed- effects model in Stata11. This test is called modified wald test. In this test the null hypothesis is homoskedasticity (or constant variance). The rejection of null hypothesis concludes heteroskedasticity. Robust option of Stata11 is then used to control heteroskedasticity in both fixed effect and random effect model.

## 7.0 Analysis and Findings

### 7.1 Econometric Issues

The data were analyzed using panel data regressions. Therefore, autocorrelation and heteroskedasticity problems on the residuals could provide incorrect standard errors. As cross-sectional data deals with different firms at a given point of time, such firms may be of different sizes such as small, medium, and large, heteroskedasticity is likely to be common. In order to check for the heteroskedasticity and autocorrelation problems, Modified Wald test and Wooldridge test were used and the results suggest that there was no evidence of positive autocorrelation<sup>5</sup> but there was evidence of heteroskedasticity<sup>6</sup>. As a result, in the presence of heteroskedasticity, the OLS estimation of equation (1) would provide biased and incorrect standard errors. Therefore, fixed effect and Random effect Regression models were estimated at first. After that Hausman test was run to find whether the fixed effect or random effect model is better estimator. Based on the estimated models, random effect model is preferred over the fixed effect model. It may be noted that since the panel data suffers from heteroskedasticity, heteroskedasticity robust random effect model seems to be the best model for the present study.

### 7.2 Analysis of Empirical Results and Major Findings

The descriptive statistics of the variables are listed in the following table.

**Table 5: Descriptive Statistics of the Variables (figure in ratio value)**

Variable	Mean	Std. Dev.	Min	Max
$Y_{it}$	1.028874	1.87602	-24.0463	2.095657
$X_{1,it}$	0.993202	2.105288	-22.3435	7.804812
$X_{2,it}$	1.073339	1.325407	-10.3579	12.07758
$X_{3,it}$	0.148706	0.324425	-2.71114	3.040617
$X_{4,it}$	0.741563	1.082223	-8.91225	9.384539
$X_{5,it}$	-0.06018	0.343842	-2.82122	2.455655
$X_{6,it}$	0.102446	1.163271	-10.9168	11.53027
$X_{7,it}$	0.106484	0.054739	0	0.320571
$X_{8,it}$	0.827568	0.063211	0.642308	1.261124

Source: Calculations are done by researchers.

Table 5 shows that the average value of the solvency ratio of Bangladeshi banks ( $Y_{it}$ ) is 1.028874. By definition if this value is equals to zero or less than zero, it indicates insolvency. Here average value of this variable not indicating insolvency. Table 6 presents the results of the heteroskedasticity robust random effect model. The diagnostic statistics are provided at the bottom of the table and the results indicate a strong goodness of fit of the estimated model. The  $R^2$  of the regression models is 0.8760; similarly Wald

<sup>5</sup> Wooldridge test was run for detecting autocorrelation on panel data: the null hypothesis of no first-order autocorrelation of  $F(1, 23) = 1.849$  and  $\text{prob} > F = 0.1871$ , implying that there is no strong evidence of positive autocorrelation.

<sup>6</sup> Modified Wald test for group wise heteroskedasticity in fixed effect regression mode: the null hypothesis of homoscedasticity of  $\chi^2(24) = 4165.55$  and  $\text{prob} > \chi^2 = 0.000$ , suggests that there is evidence of heteroskedasticity.



test of the regression is statistically significant at 99% level<sup>7</sup>. This suggests that the model has a satisfactory overall explanatory power. Overall, most parameters in the study are consistent with our expectation and three of them are highly statistically significant.

**Table 6: Result of the Random effect Model**

Variable	Coefficient of variable
$X_{1,it}$	1.127***(17.21)
$X_{2,it}$	-0.271(-0.44)
$X_{3,it}$	-0.443***(-3.36)
$X_{4,it}$	-0.167(-0.35)
$X_{5,it}$	-0.105(-1.42)
$X_{6,it}$	-0.324***(-3.82)
$X_{7,it}$	0.0229(1.11)
$X_{8,it}$	0.0273(1.19)
Constant	0.555***(5.8)
R-sq	0.8760
Wald Test	8177.44
Prob>chi	0

Asymptotic *t*- statistics are in parentheses. \*\*\*  $p < 0.001$

The estimated results show that the coefficient on market valuation component ( $\beta_1$ ) is positive and statistically significant at 0.001 significance level that implies when all other variables remain constant, for one unit increase in this variable, the solvency ratio is expected to increase by 1.127 units. This result is in line with prior expectation. Wu and Hong (2012) found similar results and explained that higher market valuation makes the banks less vulnerable. Another significant variable of the model is the ratio of income from securities to effective capital ( $X_{3,it}$ ). The coefficient on  $X_{3,it}$  is negative and also statistically significant at 0.001 significance level. However, this result is not consistent with the prior expectation of the researchers. The result also deviates from the findings of the research of Wu and Hong (2012). The volatility in stock market of Bangladesh might be a reason for this deviation. The unpredictable nature of capital market of Bangladesh makes the income from securities of banks inconsistent (Bangladesh Bank, 2013). The coefficient on the interaction term between the Texas ratio and the unemployment rates ( $\beta_6$ ) is negative and statistically significant at 0.001 significance level. It implies that higher Texas ratio and unemployment rate will lead to insolvency of banks. This result is consistent with the findings of Jesswein (2009) and Wu and Hong (2012).

The authors expect the coefficient on the ratio of interest expense ( $\beta_4$ ) to be negative and the empirical result matches with the prior expectation. It means that banks with lower interest expense are less likely to be insolvent. Empirical result found the coefficient on

<sup>7</sup> The probability value of Wald test of  $P [0.00] < 0.01$  rejects the null hypothesis and it implies that the regression model has got significant explanatory power.

the ratio of net non- interest income to effective capital (  $\beta_5$  ) is negative which implies that banks with higher net non-interest income are likely to be insolvent. This finding matches with the study of Brunnermeier et al., (2012).

The coefficient on government securities ratio (  $\beta_7$  ) is positive that matches with the expectation of the researchers. The coefficient on total deposit ratio (  $\beta_8$  ) is also positive. These empirical results suggest that banks with higher liquidity are less likely to be insolvent but these results are not statistically significant. It also suggests that liquidity has no significant impact on the solvency of the commercial banks of Bangladesh. Empirical result also shows the coefficient on the ratio of interest income to effective capital (  $\beta_2$  ) is negative. It deviates from the researchers' expectation but the result is not significant statistically. Among the eight variables used in the study except the ratio of interest income to effective capital (  $X_{2,ii}$  ) and the ratio of income from securities to effective capital (  $X_{3,ii}$  ), the rest of the variables provide the consistent result with the researchers' expectation and are consistent with the findings of the previous studies (Wu and Hong, 2012; Altman, 1968; Beaver, 1966; Jesswein, K.R., 2009).

## 8.0 Conclusion

In this paper, the researchers tried to find out how the selected variables can affect the solvency condition of banks using the panel data of Bangladeshi commercial banks from 2004 to 2011. The variables were selected based on previous empirical findings. The study found that bank specific factors such as market valuation component, ratio of income from securities to effective capital, and interaction term between Texas ratio and unemployment rate have significant effects on the solvency of the banks. The ratio used as proxy for liquidity risk has no significant impact on the solvency of the banks according to the result of the study. It implies liquidity plays insignificant role in the solvency of the banks. The major variables used in this paper matched the empirical findings of earlier studies. The findings suggest that the stakeholders should closely look at market valuation, income from securities and net non-performing asset of respective banks in their review of solvency of Bangladeshi banks. Banks should be more careful about their security holdings in the capital market and the amount of non- performing assets they hold. Macro- economic variables such as unemployment rate should also be taken into consideration. As higher employment rate will adversely affect the banking sector.

However, this type of analysis is usually complemented by testing the models to identify whether they correctly identify insolvency condition of banks based on the prior mishaps that took place. Nonetheless, bank failures are not common in Bangladesh as regulators don't allow banks to go bankrupt or fail through employing Commissioners and/or by means of recapitalization. Thereby, performing test on actual events is not possible in the current context. However, the results of the study conform to the findings and conclusions of empirical studies reviewed and followed. Thus, this study bears empirical and theoretical application. Further research in this area can be conducted to validate the

model on banks specifically on those banks that are on the edge of insolvency. Some new variables like growth of GDP, inflation, and consumer price index on the solvency of the banks can also be examined in further study.

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# Employee Training and Development System of Banking Sector of Bangladesh: An Empirical Study on Eastern Bank Ltd.

Sabnam Jahan<sup>1</sup>

**Abstract:** *Organizational psychology holds that successful organizations do not owe their success solely to market realities and sustainable competitive advantages. Successful companies are those that consider their human capital as their most important asset. Training and development aid in organizational development i.e. Organization gets more effective decision making and problem solving. It helps in understanding and carrying out better organizational policies. This paper aims at evaluating the status of human resources management practices in banking sector in Bangladesh with special emphasis to training and development. An empirical study was conducted on Eastern Bank Limited in this regard. This study is basically based on the blending of both quantitative and qualitative result. Basic statistical tools and techniques were applied to make the study concrete and meaningful. Although the study has found that the practice of human resource management is at the introductory stage in the banking sector in Bangladesh, but the long-term plans for employee development is almost absence in banking sector, especially in Eastern Bank Limited. However, a well-structured training and development program with the long-term plan is extremely felt among the employees in Eastern Bank Limited which should be adopted by the bank for the better interest of the bank and employees as well.*

**Keywords:** *Human Resource Management, Employee Training and Development, Banking Sector in Bangladesh*

## 1. Introduction

Human resources are critical for effective organizational functioning (Griffin, 2006). Training and development enable employees to perform their present job effectively and to prepare for future jobs. The current business environment is constantly changing, so it is crucial that organizations train and develop their employees to stay ahead of the competition. However, many organizations have failed to recognize the number of benefits that exceeds the costs associated with having untrained and under-developed employees. Most organizations put training and development to pursue other strategies. Yet, the majority of organizations continue to reap little benefit due to their lack of training and development initiatives. Training can have a major influence on organizational behavior in two aspects.

The first aspect is that training and development allow the employee to effectively perform his or her job. As an employee's abilities increase there is a high potential that

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the organization's performance will increase. Therefore, training and development does have a positive relationship with organizational success. And what is even better is the fact that better trained and developed employees are more motivated. The second aspect of how training and development can influence the behavior of organizational members is that it increases the employee's ability to make more effective decisions. Employees are more willing to accept responsibility for their decisions and have strong desire to place the organizational objectives above their own. Both training and development are forms of learning that apply to any business. Training, on the other hand, is teaching people skills that they lack. Together they can help develop an organizational culture that fosters employee commitment.

## **2. Training Ideas and Outline Process**

Here is a relatively simple overview of typical reference models, processes and tools found in the effective planning and delivery of organizational training.

There are many different training and development methods. On-the-job training, informal training, classroom training, internal training courses, external training courses, on-the-job coaching, life-coaching, mentoring, training assignments and tasks, skills training, product training, technical training, behavioral development training, role-playing and role-play games and exercises, attitudinal training and development, accredited training and learning, distance learning - all part of the training menu, available to use and apply according to individual training needs and organizational training needs.

More importantly, training - or learning, to look at it from the trainee's view - is anything offering learning and developmental experience.

Development isn't restricted to training - it's anything that helps a person to grow, in ability, skills, confidence, tolerance, commitment, initiative, inter-personal skills, understanding, self-control, motivation, and more.

**Some theoretical discussion on Training and Development:** A brief note about training and development is given below:

### **2.1 Definition of Training**

Training is the process of developing individual's knowledge, skills and abilities in order to bring a change in attitude so as to improve present and future organization performance. Training teaches skills for use in the present and near future. It is 'TASK' oriented. Where T=training, A=Attitude, S=Skill, K= knowledge.

When an employee can bring a desired change in attitude about a particular subject by acquiring knowledge and skill through training one can easily say that the employee becomes trained. Thus training is a continual process of helping employees performs at a high level and it is a life long process for self-development.

**2.2 Definition of development:**

Development is a way of preparing some one for the new and greater challenges he or she will encounter in another more demanding job. Again development focuses on the future. It helps employees acquire the background and skills they need to continue being successful as their careers progress.

Development is more educational than skill oriented. All development is really self-development and it is a continuing progress. Without a personal commitment, self-development cannot occur.

**2.3 Difference between employee training and development**

Training differs from development in that it relies more heavily upon the instructor; development on the other hand relies upon the participant’s initiative asking questions to bring out important points and their relevance. Again training as geared to improving employees’ skills so they can perform their job as well as possible, development focuses on the future. Development helps employees acquire the back ground and skills they need to continue being successful as their careers progress. It is more educational than skills oriented. Development is in fact self development.

**2.4 Training and Development Framework**

We know that successful candidates placed on the jobs need training to perform their duties effectively. Workers must be trained to operate machines, reduce scrap and avoid accidents. It is not only the workers who need training. Supervisors, managers and executives also need to be developed in order to enable them to grow and acquire maturity of thought and action. Training and development constitute an ongoing process in any organization.

Let us try to understand the distinction between Training and development through the following table:

Learning	Training	Development
Who	Non-managers	Managers
What	Technical / Mechanical Operation	Theoretical / conceptual ideas
Why	Specific job related	General knowledge
When	Short term	Long term

**3. Literature Review**

Training and development refers to the practice of providing training, workshops, coaching, mentoring, or other learning opportunities to employees to inspire, challenge, and motivate them to perform the functions of their position to the best of their ability and within standards set by local, state, tribal, federal and licensing organization guidelines. Training and development activities provide all involved system with the tools they need to develop professionally, increase their knowledge, effectively work with family, and build their capacity to perform the tasks associated with their positions within the system of care. Training is the activities that are designed to provide learners

with the knowledge and skills needed for their present jobs whereas development is the learning that goes beyond today's job and has more long-term focus (Mondy, 2008). Development is an attempt to improve current and future management performance by imparting knowledge, changing attitudes or increasing skills (Dessler, 2003).

Employee training and development has enormous impact on organizational effectiveness. It is observed that more investment in training and development has led to more profitability of the private sector industrial enterprises of Bangladesh (Hoque 1994). A training needs analysis is to understand what training employees really need (Cekada, 2010). Fred and Warmerdem (1997) identified that many organizations show remarkable differences with respect to the basic processes of their training systems: the shaping of training policies, the development of training programmes and the execution of training activities. In practice, training systems are much more organization-specific than training literature usually suggests.

Thang and Buyens (2008), after reviewing 66 studies conducted in different countries, concluded that training leads to improved knowledge, skills, abilities, attitudes, and behavior of employees that ultimately enhance excellent financial and non-financial performance of the organizations. Moreover, Mexican companies consider employee training and development as their sources of competitive advantages to face the challenges of globalization (Ruiz & Germain 2008). In addition, training activities have noteworthy influence on employees' organizational commitment in manufacturing firms in India (Agarwala 2008). Distinctive HRM practices have enabled Japan in becoming one of the most industrially developed countries of the world through creating competitive advantages (Hoque 1990; Mohiuddin & Mahmood 1999).

Training research has begun to draw heavily upon theory from related research domains (Tannenbaum & Yukl, 1992). For example, influences from cognitive and differential psychology are having a significant impact on training research. This relatively recent work is extending the conceptualization of learning and individual change beyond the prescriptions of classic principles of learning that have dominated training design for over three decades. This integration is encouraging. It promises to revolutionize conceptualization of the process by which expertise develops. This work, however, continues to reflect the dominant individual level orientation of training. Training is being conceptualized as integral to the strategic goals of the organization (Schuler & Walker, 1990), as a component of the human resource planning process (Jackson & Schuler, 1990), and as an activity that is constrained by organizational environment features (Baldwin & Ford, 1988).

Although it is axiomatic that psychological change is rooted in individuals, this narrow orientation neglects the constraining influence of contextual factors at higher levels of the organizational system. The need for change, the implementation of interventions, and the transfer of trained skills are embedded within the context of work team, sub unit, and organizational levels. These contextual features and processes ultimately facilitate or inhibit the expression of trained skills.



#### **4. Objectives of the Study**

There are two types of objectives, such as general objective and specific objectives. To evaluate the HRM practices in banking sector in Bangladesh with special emphasize to training and development system by conducting an empirical study on **Eastern Bank Limited**. The specific objectives are:

- ☛ To find out the challenges that banks face with employee retention in an increasingly competitive labor market.
- ☛ To identify the problems of employee training and development.
- ☛ To give recommendations for efficient training and development system.

#### **5. Methodology**

The report is prepared on the basic of training and development system of Eastern Bank Limited. To conduct the overall study, at first the researcher explored the sources of Primary and Secondary information and data. I have interviewed the officials for getting more information. This study is basically exploratory in nature. Given the nature of the study, it was required to collect data both from primary sources and secondary sources.

Secondary data are collected from different sources such as: annual report of Eastern Bank Limited, bank websites, published journals, books, HR manuals, and other published and unpublished materials.

A well structured questionnaire was used to collect primary data. Multiple-choice types of questions were also used to obtain unbiased responses. The authors visited the head office and some branch offices of EBL .The data thus were collected and presented in the study.

In getting primary data, interview is conducted with a structured questionnaire. The primary data have been processed and tabulated using MS-Excel. Final analysis is made based on these responses and relevant statistics.

##### **5.1 Data collection tools used:**

Questionnaire has been formulated based on pilot study. On the basis of pilot study final interview schedule is designed. In the study, the researcher used a structured questionnaire to collect primary data from the sample. The questionnaire used in this study is comprised of two parts. In the first part the questionnaire required some personal information. However this portion was optional. In the second part of the questionnaire there were questions on perceptions of the respondents on training quality of the Eastern Bank Ltd. A five point Likert scale ranging from “Strongly Agree=1” to “Strongly Disagree=5” was used to measure the 15 items.

This task depends on the nature and type of data arrived through the method stated above. Clearly, one thing can be stated that qualitative and quantitative analysis will be made in order to achieve an appropriate and useful finding and make a logical conclusion and recommendations.

## **6. Training and Development Methods of Eastern Bank Limited (EBL)**

### **6.1 Organizational Overview**

With a vision to become the bank of choice and to be the most valuable financial brand in Bangladesh, Eastern Bank Ltd. (EBL) began its journey in 1992. Over the years EBL has established itself as a leading private commercial bank in the country with undisputed leadership in Corporate Banking and a strong Consumer and SME growth engines.

### **6.2 Employee Training and Development system in EBL**

After recruiting a potential candidate, the HRD's first job is to orient the new entrant about the organization and provide him/her with all the necessary knowledge about their duties and responsibilities. This is done to ensure effective input about the organization to the employees and to enhance their level of performance. The training program also includes courses to ensure employee retention. In Eastern Bank Ltd. spending in training programs for employees is not an expense, but an investment. Each and every permanent employee must have 30 days of training.

**6.3 Training and Development Issues:** The training program includes the following :

**Orientation Training:** Orientation program consists of a five days' workshop which includes brief ideas about the whole organization and it's Human Resource Division in the first two days; Anti-money laundering, Negotiable Act and Financial article are discussed in the last three days. Sometimes seven days training are provided to the contractual employees by their respective department.

**In-house training:** This training is conducted by their own trainer when it is necessary for the new or existing employees. This training includes both job specific and need base training. Orientation training is also a part of in-house training.

**Job specific training:** "Mock Branch" training is an example of job specific training which is applicable for all branch employees. This training improves employee's knowledge, service quality, and risk and compliance issues about specific job.

**Need based local/foreign training:** These trainings are conducted by hiring external trainers or sending the employee in the external training houses. As these are expensive trainings so every single employee cannot participate. Nominations are given from each department and then approval is taken from division head and only the nominated employees take part

**Peer or Supervisor's coaching:** This training is conducted under the direction of supervisors or fellow colleagues.

**E-learning:** Online training and evaluation. It is a mandatory part of training.

There are six courses that every employee must do. The mandatory four courses are: Human resource division, anti-money laundering, EBL Bank overview (which includes operations, retail banking, SME and whole- sale banking), company secretariat, legal and regulatory and internal control.

The other two courses are based on the respective department. Examinations and results both held and published via internet. Every department has to follow an employee performance measurement method devised by the HRD. This performance measurement form is filled out and signed by the supervisors and respective Department Heads. Based on these performance reviews, training needs are identified for different employees.

**6.4 Stages of training procedure of EBL:** Some certain stages are followed before and after training. Stages can be defined in following format:

**(i) Stage 1-Analyzing employees**

In this stage the bank evaluates employee based on their accomplishment and skill. The Bank evaluates employee skill based on their performance, background, job related experience and educational achievement mainly. After assessing employees if the organization finds that employees are skilled enough and they can do their job efficiently than the bank. let them move to do their job. If they finds that employees are not skilled enough than management continue to the next stage.

**(ii) Stage 2-Training needs assessment**

After evaluating employees skill deficiency the Bank identifies the area in which the employees are not skilled. Need assessment is done by examining employee's performance and career background.

Normally peoples of this organization face problems in using IT software, managing assets and accounts related books. So based on their performance and organizational position the skill criteria are identified and after assessing their skill deficiency management move on to the next stage.

**(iii) Stage 3-Providing Training**

After assessing the training criteria the Bank divides employees (selected for training) in two groups. (1) The employees who have theoretical knowledge about the training criteria; only practice is arranged for them. (2) Employees who does not have theoretical knowledge: Employees who do not have theoretical knowledge; formal training is arranged for them.

**(iv) Stage 4-Evaluation of performance**

After providing training employees move to their job. Then management evaluates their performance. If management finds employee performance is satisfactory then training procedure comes to an end and he or she can continue with their job. If management finds some deficiency in employee's performance then the employee goes through the training procedure again.

**6.5 Evaluation of training programs**

Various methods can be used to collect data on the outcomes of training. Some of these are:

**a. Questionnaires**

Comprehensive questionnaires could be used to obtain opinions, reactions, and views of trainees.

**b. Tests**

Standard tests could be used to find out whether trainees have learnt anything during and after the training.

**c. Interviews**

Interviews could be conducted to find the usefulness of training offered to operatives.

**d. Studies**

Comprehensive studies could be carried out eliciting the opinions and judgments of trainers, superiors and peer groups about the training.

**e. Human resource Factors**

Training can also be evaluated on the basis of employee satisfaction, which in turn can be examined on the basis of decrease in employee turnover, absenteeism, accidents, grievances, discharges, dismissals, etc.

**f. Cost benefit analysis**

The costs of training (cost of hiring trainers, tools to learn, training centre, wastage, production stoppage, opportunity cost of trainers and trainees) could be compared with its value (in terms of reduced learning time, improved learning, superior performance) in order to evaluate a training program.

**g. Feedback**

After the evaluation, the situation should be examined to identify the probable causes for gaps in performance. The training evaluation information (about costs, time spent, outcomes, etc.) should be provided to the instructors, trainees and other parties concerned for control, correction and improvement of trainees' activities. The training evaluator should follow it up sincerely so as to ensure effective implementation of the feedback report at every stage.

**7.0 Findings and Analysis**

Based on the analysis of training and development methods in EBL, the following major findings are originated:

Training and development system	EBL
1.Orientation	Well defined orientation training.
2.Internal Training programs	Organized as per specific requirements.
3.External Training programs	Organized regularly with collaboration of relevant employee participation.
4.Mentoring	Not provided at EBL.
5. Manager Development	No such training is existent at EBL.
6.Peer or Supervisor coaching	Provided occasionally at EBL.
7.Job specific training	Very specific training program at EBL as job rotation is not frequently practiced.
8.Evaluation	Mainly individual evaluation based on supervisors reports, for some training programs written exams are taken & the results are published online.

9. Training need analysis	Based on a well defined program which contains-employee analysis, Training needs assessment, Providing Training & performance evaluation.
10. Training variation	Variety of trainings provided focusing on the behavioral traits to job specific technical trainings.

For the research it has sample size of 50 from the concerned population for the research, it took a survey on 50 employees. The survey was made by the closed ended structured questionnaire containing 15 items or questions with five point Likert scale in order to measure the perception about the employee training and development system of Eastern Bank Ltd. The total population was classified into five classes and the responses had been collected according to these classification. The research took place at different branches of Eastern Bank Ltd. After finishing the survey all the questionnaires were gathered and put all the data from the questionnaires into Microsoft Excel. Then by using the software it came up with the findings, which helped to explain the necessity of employee training for the development of the employees in the Eastern Bank Ltd.

As mentioned earlier the questionnaire had 15 items and each item had five point Likert scale. Which means under each item or question one employee had to respond any of the points among the five Likert scale.

**7.1 Findings and analysis of the individual items or questions**

Percentages of the responses on each of the five different scale points calculated from the total responses of 100 customers on each item or question.

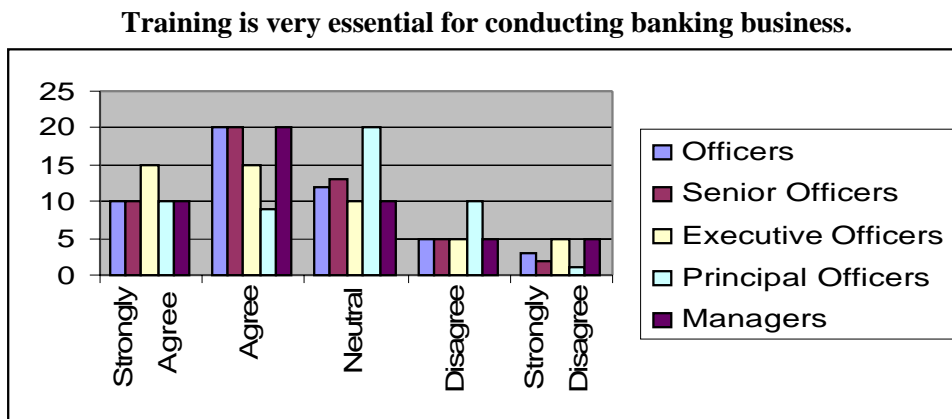


Fig-1: Employees' responses regarding question 1.

The above question states that training by **Eastern Bank Ltd.** is necessary. About 20% senior officers and Managers think that training is necessary. Then about 15% strongly agree with this and about 20% are neutral. Very few of them disagreed with the statement and very insignificant portion strongly think that training is not sufficient. Most of the classes of employees had shown a positive response.

The mean value regarding all the responses is 3.7, which means the employees' perception regarding this statement is good. The standard deviation 1.10 proves that the mean 3.7 can vary 1.10 more or less. This shows that the findings regarding this are not so reliable.

**Training is necessary in every year.**

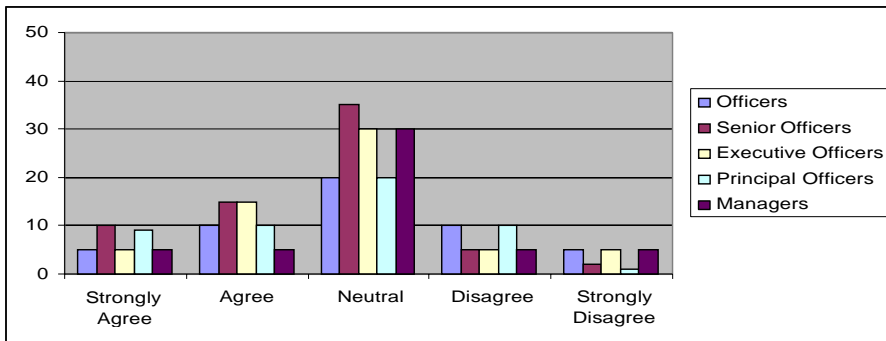


Fig-2: Employees' responses regarding question 2.

The above statement states that how much the employees are interested with their training in every year. Thirty five percent (35%) of the respondents were neutral with the statement. Among them all classes equally responded. 15% of the officers were agreed with the statement. Among them senior officers & executive officers and principal officers were the major portion, the rest were equally responsive. About 10% respondents disagreed with the statement. Of which principal officers & officers comprised 7% and the rest 3% were comprised with other classes equally. Only 10% senior officers were strongly satisfied with the statement. And only 5% managers and 5% other classes officers were fully dissatisfied with the statement. The mean value regarding all the responses is 3.09, which means the employees' perception regarding this statement is neutral. The standard deviation .87 proves that the mean 3.09 can vary .87 more or less. This shows that the findings regarding this are reliable.

**Eastern Bank Ltd. offers a convenient system for training.**

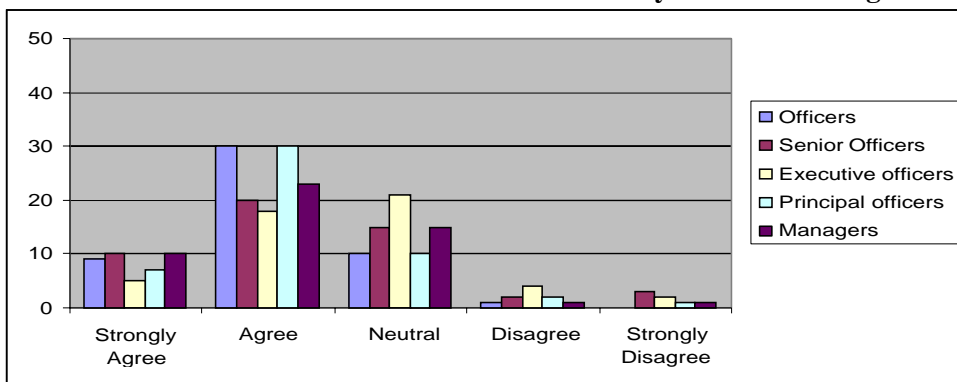


Fig-3: Employees' responses regarding question 3.

The statement states the satisfaction level of the employees according to the training quality. 30% of the respondents agreed that they were satisfied about the service quality while training. Among this 30% officers & principal officers, 20% senior officers and 23% were managers, the rest were equally responded. About 5% executive officers disagreed with the statement. About 10% employees were strongly satisfied and about 2% were strongly dissatisfied. The mean value regarding all the responses is 3.12, which means the employees' perception regarding this statement is agreed. The standard deviation .90 proves that the mean 3.12 can vary .90 more or less. This shows that the findings regarding this are reliable.

**Employees are interesting about the training system of Eastern Bank Ltd.**

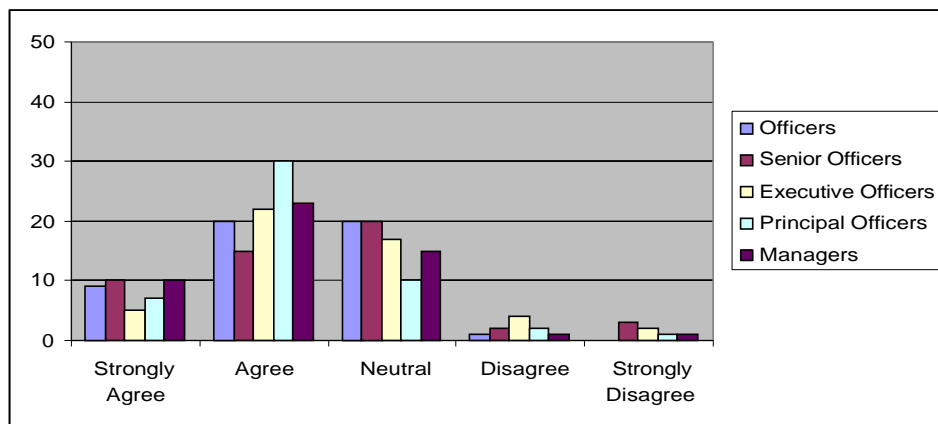


Fig-4: Employees' responses regarding question 4.

The statement shows the satisfaction level of the employees about their interest of training provided by the bank. Most of the employees (30%) are satisfied with the service.

Among them 30% are Principal Officers, 10% are managers and executive officers and others are 15%. Then about 20% employees are neutral. A little portion (4%) of executive officers has disagreed with the system. About 3% of senior officer & 1% of the rest also disagreed with the system. Very insignificant portion (3%) of employees was strongly dissatisfied with the system. The mean value regarding all the responses is 3.15, which means the customers' perception regarding this statement is neutral. The standard deviation 1.02 proves that the mean 3.15 can vary 1.02 more or less. This shows that the findings regarding this are reliable.

**The training system of Eastern bank ltd. can successfully train the newly appointed employees.**

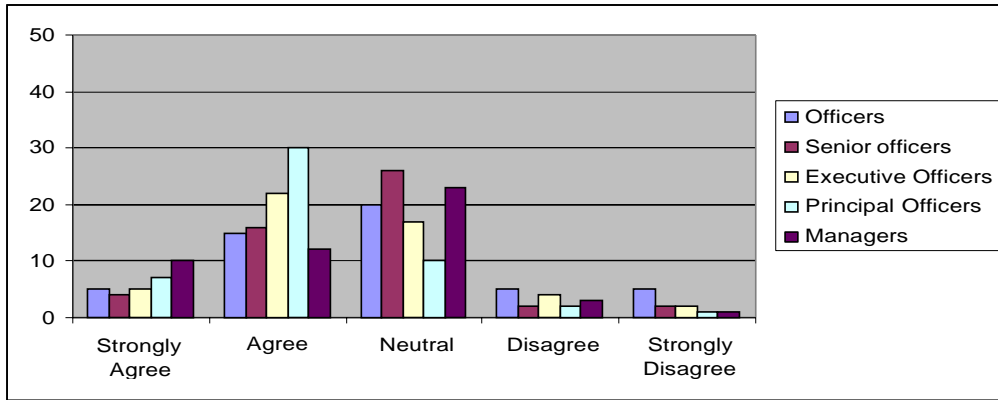


Fig-5: Employees' responses regarding question 5.

The above statement states that whether the employees are successfully trained or not. About 30% of the employees are satisfied with the service. This includes principal officers 30%, executive officer 23%, others 15%. About 27% of the senior officers and managers are neutral with the quality of training system. They include teachers 27%, senior officer & managers 23%, officers and senior officers 20% and others 12%. About 5% employees are dissatisfied with the quality of training. This contains officers 5%, executive officers 4%, managers 3% and others 2%. About 3% of the total employees are strongly dissatisfied with the quality of training. Few employees (10%) are strongly satisfied with the quality of training. This includes managers, principal officers and officers. The mean value regarding all the responses is 3.03, which means the employees' quality regarding this statement is neutral. The standard deviation 1.18 proves that the mean 3.03 can vary 1.18 more or less. This shows that the findings regarding this are not so reliable.

**The lectures are easy to understand.**

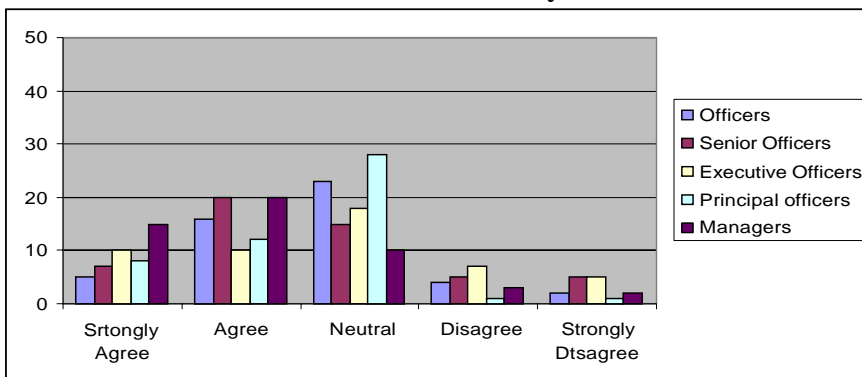


Fig-6: Employees' responses regarding question 6.



The statement states that if the lectures provided to trainee are easy to understand. About 28% of the employees are neutral about their satisfaction level. This comprises 28% of principal officers, 23% of officers, 15% of senior officers and executive officers and 10% managers. 20% of the employees are satisfied with the quality of lectures provided in the training courses.

This includes 20% of managers and senior officers & 18% of executive officers. About 8% employees are dissatisfied with the quality of the lectures. About 15% of the managers are strongly satisfied with the quality of the training lectures. About 5% of the senior officers and executive officers are strongly dissatisfied with the quality of lecture. Most of the principal officers, officers and executive officers are neutral, where managers and senior officers are satisfied with the quality of lectures. The mean value regarding all the responses is 3.23, which means the employees' perception regarding this statement is neutral. The standard deviation 1.04 proves that the mean 3.7 can vary 1.04 more or less. This shows that the findings regarding this are not so reliable.

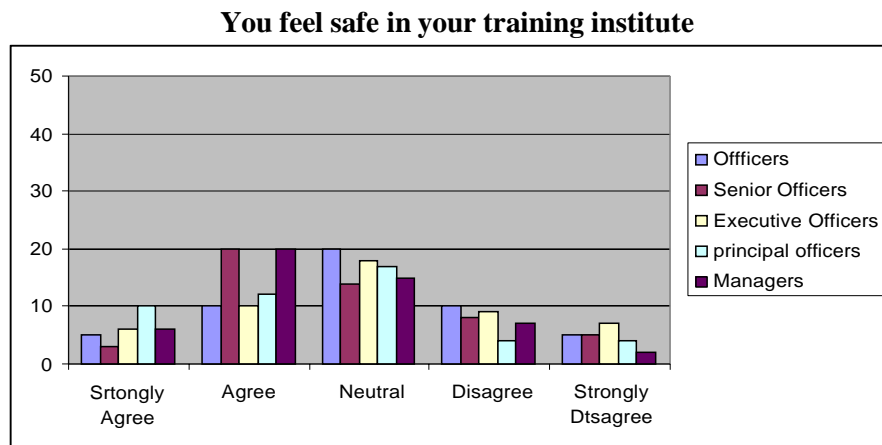


Fig-7: Employees' responses regarding question no. 7.

The statement states that whether the employees are secured in the training institutes. It shows the satisfaction level of the employees about their security provided by the bank. About 20% of the managers and senior officers are satisfied with the statement. About 10% of the principal officers are strongly satisfied with the statement. Most of the employees are neutral about their security in the training institutes. Among them 20% are officers, 18% are executive officers and senior officers. About 10% of officers and executive officers are dissatisfied with the statement. Only 6% of executive officers are strongly dissatisfied with the statement. The mean value regarding all the responses is 3.83, which means the customers' perception regarding this statement is good. The standard deviation 1.16 proves that the mean 3.83 can vary 1.16 more or less. This shows that the findings regarding this are not so reliable.

**When you face a problem, Eastern Bank Ltd’s authority shows sincere interest in solving it.**

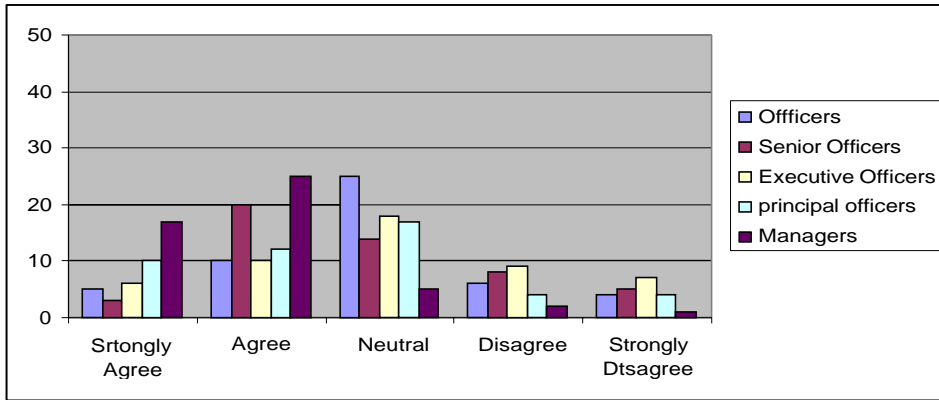


Fig-8: Employees’ responses regarding question no. 8.

The statement states that whether the bank’s authority shows sincerity in solving any problem faced by the trainees or new employees. And what the level satisfaction regarding the service is. About 25% managers are satisfied with the sincerity. This includes 20% of senior officers, 12% of principal officers, 10% of executive officers and officers. 25% officers are neutral about the statement. 18% of executive officers and 17% of principal officers are also neutral about the statement.

About 9% of executive officers are dissatisfied with the statement. About 6% of executive officers and 5% officers are strongly dissatisfied with the statement. 18% of the managers are strongly satisfied with the sincerity provided by the bank. The mean value regarding all the responses is 3.10, which means the bank’s perception regarding this statement is neutral. The standard deviation .89 proves that the mean 3.10 can vary .89 more or less. This shows that the findings regarding this are reliable.

**Eastern Bank Ltd. is providing all services that you require**

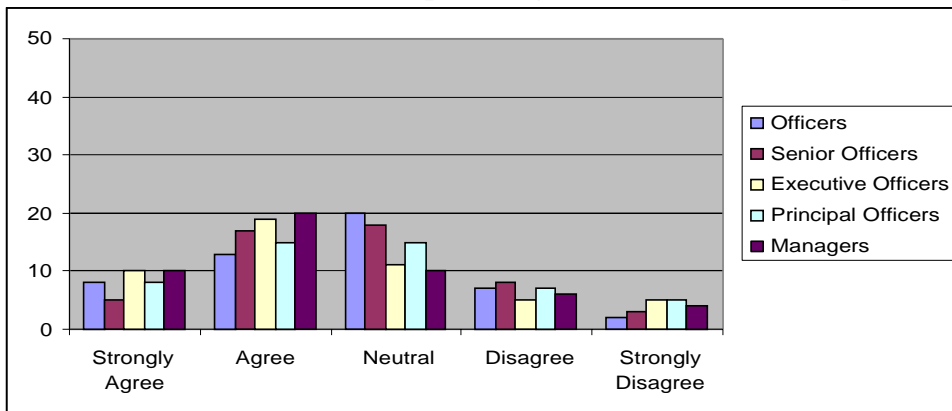


Fig-9: Employees’ responses regarding question no. 2.

The statement states whether the bank provides all the services that are needed to the trainees. About 20% officers are neutral about the range services. This includes 20% of officers, 18% of senior officers, 15% of principal officers & 10% of executive officers and managers. 8% of the senior officers are dissatisfied with the range of services. This includes 7% of the officers, 6% of principal officers, 5% managers & 4% executive officers. 20% managers and executive officers and 18% senior officers and 15% principal officers and 12% officers are satisfied with the range of services. About 5% executive officers are strongly dissatisfied with the range services. Most of the employees are satisfied. The mean value regarding all the responses is 2.55, which means the employees' perception regarding this statement is good. The standard deviation .91 proves that the mean 2.55 can vary .91 more or less. This shows that the findings regarding this are not reliable.

**The internal environment of Eastern Bank training institutes is visually attractive.**

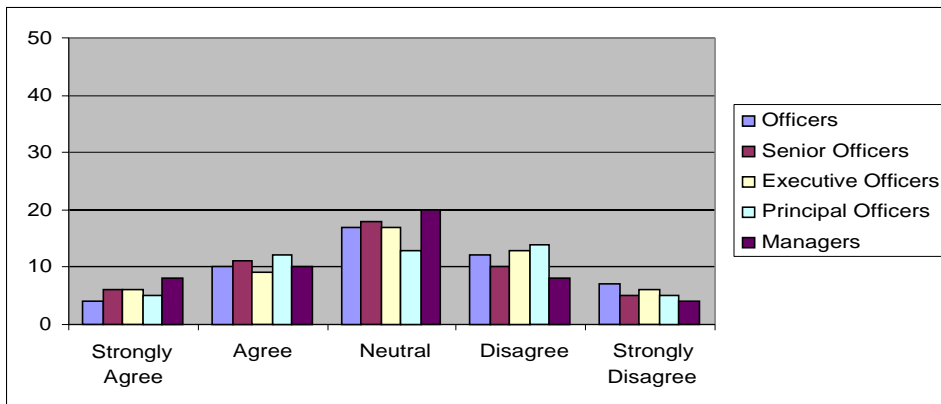


Fig-10: Employees' responses regarding question no. 10.

The statement state about the internal environment of Eastern Bank Ltd's training institutes. This means how the trainees are satisfied with the internal decoration of the bank. Almost all of the employees are neutral in their opinion with the internal decoration of the training institutes. This includes 20% of the managers, 18% of the senior officers, 17% of the officers & executive officers and 12% of the principal officers. 15% of the employees are dissatisfied with the decoration.

This includes 15% of principal officers, 13% executive officers and officers, 8% mangers. 8% employees are strongly dissatisfied with the decoration. Only 10% of the employees are satisfied with the environment. Only 8% managers are strongly satisfied with the internal environment. The mean value regarding all the responses is 2.34, which means the customers' perception regarding this statement is bad. The standard deviation .97 proves that the mean 2.34 can vary .97 more or less. This shows that the findings regarding this are reliable.

**Materials associated with the service are easily understandable and visually attractive.**

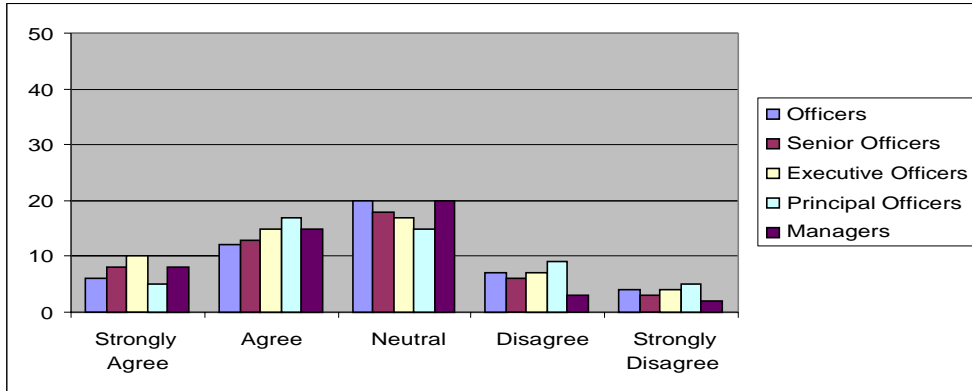


Fig-11: Employees' responses regarding question no. 11.

The statement shows that how easily the materials associated with the training are understandable and are visually attractive. And what the satisfaction level of employees regarding this is. Most of the employees are neutral with the service quality. It includes 20% of managers and officers, 18% of senior officers, 17% executive officers and 15% of principal officers. About 15% employees are satisfied with the service quality. This includes 17% of principal officers and 15% of managers and 12% of the rest equally. 9% employees are dissatisfied with the service quality. 4% of the employees are strongly dissatisfied. The mean value regarding all the responses is 2.94, which means the customers' perception regarding this statement is neutral. The standard deviation .92 proves that the mean 2.94 can vary .92 more or less. This shows that the findings regarding this are reliable.

**Employees get IT based training from this bank.**

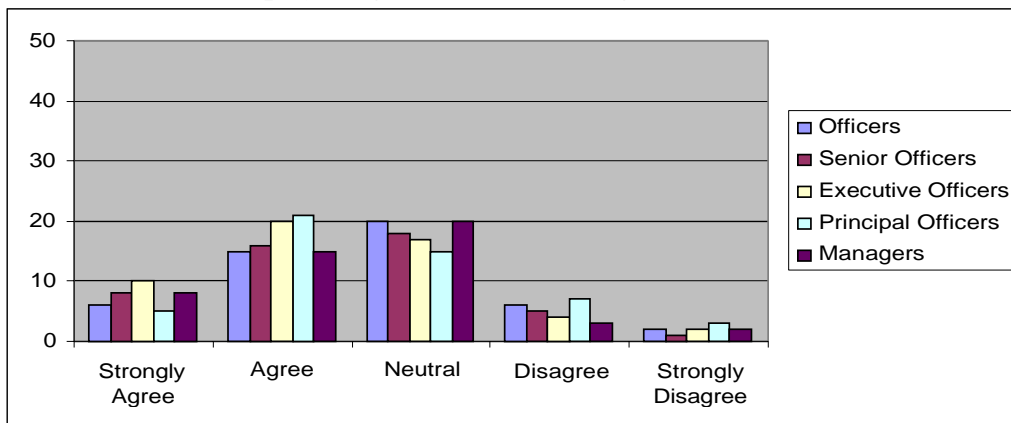


Fig-12: Employees' responses regarding question no. 12.

The statement refers that how much the bank is providing IT based training to its employees. And the graph shows the satisfaction level of its employees regarding this service. Most of the employees are agreed with the statement. This comprises 21% of principal officers, 20% executive officers, 15% of the other ranks equally. 10% are strongly agreed with the statement. About 15% of customers are neutral about the service quality. It comprises 3% of officers & employees and 4% of each of the remaining three classes of customers. About half of the employees are neutral with the service. 3% employees are strongly dissatisfied with this service.

The mean value regarding all the responses is 2.25, which means the customers' perception regarding this statement is bad. The standard deviation 1.06 proves that the mean 2.25 can vary 1.06 more or less. This shows that the findings regarding this are reliable.

**It is an important criterion for employee development.**

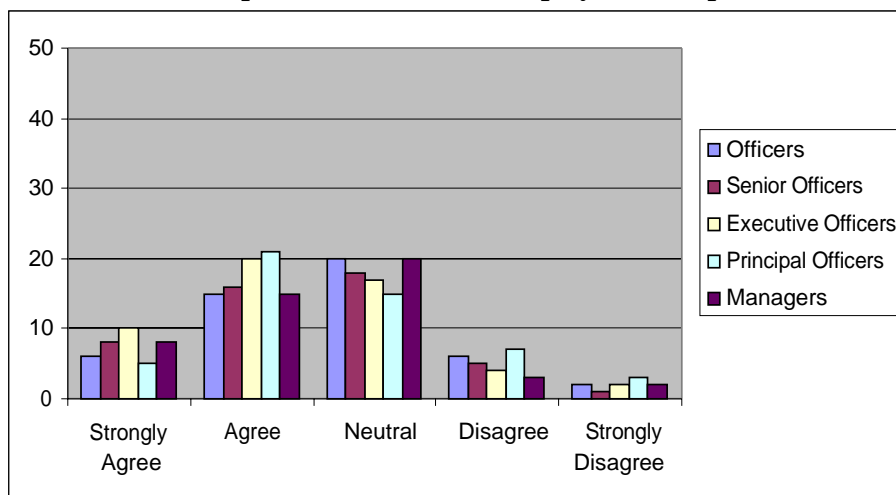


Fig-13: Employees' responses regarding question no. 13.

The statement states whether the training system of the bank is offering an important criterion for the employee development. And the graph shows the employees responses indicating their satisfaction level regarding this service of the bank. About 20% of the employees are neutral with this statement. Again 20% of them are satisfied. Among them 20% of principal officers and executive officers respectively, and 15% of the rest equally. About 10% of the employees are strongly satisfied. 6% of the employees are strongly dissatisfied. The mean value regarding all the responses is 2.36, which means the customers' perception regarding this statement is bad. The standard deviation 1.10 proves that the mean 2.36 can vary 1.10 more or less. This shows that the findings regarding this are reliable.

**Employees feel a better improvement of yourself.**

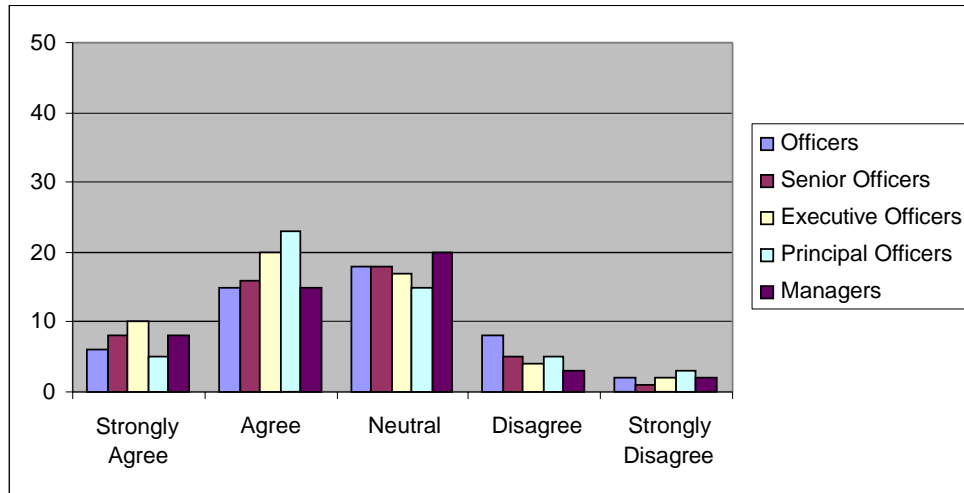


Fig-14: Employees' responses regarding question no. 14.

The statement shows if the employees are feeling improvement in themselves. The graph shows the employees perception level about this service. About 20% employees are neutral regarding this statement. 23% employees are satisfied with the statement. This includes 23% principal officers & executive officers and 15% of the rest equally. About 10% employees are strongly satisfied with the statement. 3% customers are strongly dissatisfied with the statement.

The mean value regarding all the responses is 2.68, which means the customers' perception regarding this statement is neutral. The standard deviation .90 proves that the mean 2.68 can vary .90 more or less. This shows that the findings regarding this are not so reliable.

**Eastern Bank's employees treat with you in a good manner.**

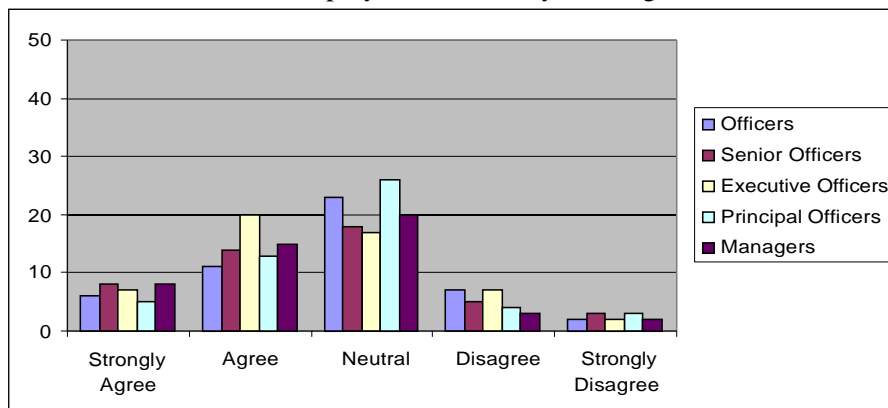


Fig-15: Employees' responses regarding question no. 15.

The statement shows how the employees of the bank treat with the trainees. And the graph shows the level of trainees' perception regarding the statement. About 25% employees are neutral regarding the statement. This comprises 25% of principal officers, 23% of officers, 20% of managers & 18% of the senior officers and 16% of the executive officers. 20% trainees are satisfied with the manner of the bank employees. 8% trainees are dissatisfied with the manner of the bank employees. And 3% are strongly dissatisfied with the manner of the bank employees. The mean value regarding all the responses is 3.08, which means the customers' perception regarding this statement is neutral. The standard deviation .93 proves that the mean 3.08 can vary .93 more or less. This shows that the findings regarding this are reliable.

## 8. Conclusion

Training & development is a need for every organization. The entire training department should be well informed regarding their goal and objective. It is essential to execute company objective into individual target. EBL management can be involved more in internal training which will increase the effectiveness of these training and decrease the need for their house training program.

This paper will help one to be familiar with the specific training & development programs of the banking organizations both locally & internationally. The researcher has also analyzed the training and development system with some recommendations for the bank. This project can be helpful for us if we are to work with training & development program in the future, we would know where to start & the scopes for possible improvements.

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8. Website of EBL - [www.easternbank.com.bd/training.php](http://www.easternbank.com.bd/training.php)
9. Website of EBL - [www.easternbank.com.bd/location.php](http://www.easternbank.com.bd/location.php)



## Appendix

### 1. Questionnaire

#### **A study to determine the training and development system of Esatern Bank Ltd.**

This survey is being conducted to determine the training and development system of **Eastern Bank Ltd.** It may take approximately 6 to 8 minutes to complete this questionnaire. There is no right or wrong answer provided. Participation in this survey is completely voluntary. You can rest assured that all your given information will be kept strictly confidential. Please try to fill in the entire questionnaire.

Please tick (√) the best answer as per your opinion.

5 Strongly Agree	4 Agree	3 Neutral	2 Disagree	1 Strongly Disagree
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#### Personal Information: (optional)

1. Training is very essential for conducting banking business.	5	4	3	2	1
2. Training is necessary in every year.	5	4	3	2	1
3. Eastern Bank Ltd. offers a convenient system for training.	5	4	3	2	1
4. Employees are interesting about the training system of Sonali Bank Ltd.	5	4	3	2	1
5. The training system of Sonali bank ltd. can successfully train the newly appointed employees.	5	4	3	2	1
6. The lectures are easy to understand.	5	4	3	2	1
7. You feel safe in your training institute.	5	4	3	2	1
8. When you have a problem, Eastern Bank's authority shows sincere interest in solving it.	5	4	3	2	1
9. Eastern Bank Ltd. is providing all services that you require.	5	4	3	2	1
10. The internal environment of Eastern Bank training institutes is visually attractive.	5	4	3	2	1
11. Materials associated with the service are easily understandable and visually attractive.	5	4	3	2	1
12. You get IT based training from this bank.	5	4	3	2	1
13. It is an important criterion for employee development.	5	4	3	2	1
14. You feel a better improvement of yourself.	5	4	3	2	1
15. Eastern Bank's employees treat with you in a good manner.	5	4	3	2	1

Name:

Age:

Sex:             Male                       Female.

Occupation:    Teacher.             Student.             Officer or Employee.             Other.

**QUESTIONS****RANKINGS****2. Current scenario of employee training of Eastern Bank Ltd.**

Serial No.	Level of training	Training method	Title of the course	Number of trainee	Duration	Training Place
01	Senior Officer	Investment and Merchant Banking	Lecture, Group Discussion and Case Study	01	2 working days	Head office
02	Senior Officer	Micro and Small Enterprise Financing	Lecture, Group Discussion, Case Study and Project Visit	01	3 working days	Head office and rural office
03	Assistant General Manager	Corporate Governance and Corporate Social Responsibility	Panel Discussion and Formulation of Recommendation	01	2 working days	Head office
04	Senior Officer	Appraisal and Management of Working Capital Financing	Lecture, Group Discussion and Case Study	02	60 days training	Staff college
05	Senior Principal Officer	Management of Non-Performing Loans and Recovery Strategies	Lecture, Group Discussion, Case Study, Panel Discussion and Formulation of Recommendation	01	3 working days	Head office
06	Principal Officer	Human Resource Management For Executives	Lecture, Group Discussion and Case Study	01	2 working days	Head office

Source: Attendance records and books from the Eastern Bank Head office

## **Patients' Satisfaction with the Medical Services in Bangladesh: A Case Study on the City Hospital Limited, Dhaka**

**Mohammed Masum Iqbal<sup>1</sup>**

**Md. Emran Hossain<sup>2</sup>**

***Abstract:** Bangladesh is one of the most densely populated countries in the world. The desired and right medical services for people are very important for any healthy nation. Many private hospitals as well as public hospitals are operating in Bangladesh to provide medical services for the people of Bangladesh. We know the survival and success of a private hospital depend on its patients' satisfaction. The present study attempts to measure patients' satisfaction with the medical services provided by a leading private hospital in Bangladesh. To measure the satisfaction of patients, SERVQUAL model has been applied in this study. The research involved SERVQUAL instrument to the service quality dimensions and asking 50 respondents as sample of patients to complete the questionnaire. Patient's responses on the basis of service quality dimensions have been obtained. The study depicts that most of the patients are merely satisfied or neutral with the medical services of the hospital in general and patients are more satisfied with tangibility than any other dimensions of service quality. The study has enabled to identify the areas where improvements are needed from the patients' point of view. We know SERVQUAL model can be applied to measure the gaps between perception and expectation of the services provided, but this study is not including the gap measurement and the study is confined to a leading private hospital situated in Dhaka city only.*

***Key Words:** Services, Patients, Satisfaction, Medical services, SERVQUAL, Service quality dimensions, Bangladesh.*

### **Introduction**

Health is the root of all happiness and sound health is a basic physiological need and fundamental right for any human being. The government and the personnel involved in this sector are supposed to take the responsibility to provide health services for the entire population of a country. The standard of health services in most of the developing countries of the world is not up to the mark. A large number of people in developing countries do not have access to the basic health services. The services delivered by the health care providers are not up-to the level of need and perception of the clients. In recent years the World Bank and other donor agencies have been advising developing countries to ensure that limited resources not only have an optimal impact on the population's health at affordable cost but also that health care services are expected to

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respond directly to patients' preferences and demands ( De Geydent, 1995; Calnan et al., 1994, 1988; Kwan, 1994). The efforts of Bangladesh to improve its health care delivery system have increasingly emphasized quality of care (Aldana et al., 2001).

Bangladesh is one of the developing and densely populated countries in the world. The constitution of Bangladesh, Article 15(a) and Article 18(1), has given top priority to public health and nutrition as a state policy of the government of the People's Republic of Bangladesh. To execute the obligation of the constitution and expectation of the people, the governments of Bangladesh have taken measures to prepare a pragmatic health policy for the nation. Accordingly, there were attempts to formulate an acceptable health policy in 1990, 2000, and 2006 to ensure quality medical care and services to citizens (Daily Star, 2008).

Bangladesh has made significant improvement in health sector, which make it an example for other developing countries even though being a resource poor country. Over the last decades key health indicators such as life expectancy and coverage of immunisation have improved notably, whilst infant mortality, maternal mortality and fertility rates have dropped significantly (Ferdous Arfina Osaman, 2008). An effectively performing health system is essential in improving the population's health status, providing safeguard against health-related financial threat and enhancing the health sector's responsiveness to customers needs. A health system consists of all organizations, people and actions, whose primary intent is to promote, restore or maintain health (Global Fund, 2011). Bangladesh has made remarkable progress in some indicators of health such as controlling infant, maternal and under-five mortality. It has achieved a credible record of sustaining 90% plus vaccine coverage in routine EPI with NIDS (national immunizations days) since 1995 (WHO 2008).

The government of Bangladesh is delivering health facilities and medical services through public hospitals, community clinics and other organizations. Moreover, there are many private hospitals which are providing health care services for the people of Dhaka, the capital city of Bangladesh, as well as across the whole country. It is known that the problem of access to modern health care service and reliable treatment is acute in Bangladesh. We know that patient's satisfaction is the key to the survival and success of a health care service provider i.e. a hospital in private sector. Patients' satisfaction plays an important role to attract new patients and retain existing ones for health services. It is observed that dissatisfaction with the quality of health care services in Bangladesh has led a good number of Bangladeshi patients to go to the neighboring countries such as India, Thailand and Singapore.

### **Objective of the Study**

The objective of the present study is to evaluate patients' satisfaction with the quality of medical services provided by the City Hospital Limited, a leading private hospital in Dhaka city, through SERVQUAL model.

### **Literature Review**

The quality of health care is defined in a variety of ways in the context of varying socio-cultural and development settings, but so far there is no consensus on a single set of accepted criteria to measure quality. Donabedian (1980), a leading author on quality of care, defined quality of care as that kind of care, which is expected to maximise patient welfare, and depends on whether effective care is sought and individual and social preferences regarding care is manifested. It also underscores the importance of performance of health care practitioners, health care system and relative costs and benefits of patients. One of the most widely cited recent definitions indicates that quality of care is the “degree to which health services for individuals and populations increase the likelihood of desired health outcomes and are consistent with current professional knowledge” (Lohr 1990). Quality of care is also defined in terms of two key dimensions, access and effectiveness, which implies whether the users get the care they need and whether the care they receive is effective (Campbell, Ronald, and Buetow 2000).

Wisniewski (2005) has undertaken a research study aimed to apply the SERVAQUAL measurement instrument in a Scottish Colposcopy clinic. The study involved adapting the SERVAQUAL instrument to the Colposcopy setting and asking a sample of patients to complete the questionnaire. The results of the research were quite positive with high level of patient satisfaction but revealed the need for improved premises.

Consumer satisfaction is the fundamental requirement for health care providers. Satisfaction is important when patient themselves and institutional health care service buyers make selection decisions. Kandampully (2002) has identified various factors affecting patient satisfaction; researchers have explored various service quality dimensions considered by patients while evaluating quality at hospitals such as modern equipments, physical facilities, convenience at supplementary services, behavior by doctors and modern staff. In this study researchers investigated that weather service quality and patient satisfactions are independent or dependent in the context of five big general hospitals in Kolhapur city.

Bonshoff and Gray (2004) have conducted the studies on the relationships between service quality, customer satisfaction and buying intentions in the private hospital industry. The objective of the study was to investigate whether superior service quality and service transaction specific customer satisfaction will enhance loyalty among patients in the private health care industry. Study attempts to access what dimensions of both customer satisfaction and service quality derive ‘overall satisfaction’ and loyalty in the South African private hospital industry. The results reveal that the service quality dimensions, empathy of nursing staff and assurance impact positively on both loyalty and cumulative satisfaction. Results also reveal that the customer satisfaction dimensions are: satisfaction with meals, satisfaction with nursing staff and the satisfaction with fees all impact positively on both loyalty and cumulative satisfaction. The studies conducted aim to investigate the structural relationship between out satisfaction and service quality dimensions where patients have substantial freedom in choosing their medical service providers and to further study the causal relationship between service quality and satisfaction. Results show the pattern of relationships between service quality and patient satisfaction was similar across the gender, age and service type subgroups. It was also

found that the level of satisfaction on the other hand was not the same for subgroups when divided by age and the types of services received. Many of these service quality dimensions significantly influence patient satisfaction. The dimensions for evaluating health care quality are convenience, degree of concern shown and medical staff and physical facilities.

Respect for patients' demand and desire is central to any humane health care policy. As a result, patient satisfaction is widely considered as an integral part of the quality of care. Health care provider organizations wishing to meet those needs more effectively have shown growing interest in the use of patient evaluations and reports as a complement to other methods of quality assessment and assurance (Cleary et al., 1991). Increasing concentration has been given to the evaluation of patient satisfaction with care (Nguyen Thi et al., 2002). Furthermore, patient satisfaction is identified as an important dimension for assessing the quality of health care services (Calnan et al., 1994; Epstein, Laine, Farber, Nelson, & Davidoff, 1996; Williams, 1994). Indeed, quality assurance has evolved as an internationally important aspect in the provision of health care services (Nguyen Thi et al., 2002). Recently developing countries, influenced heavily by findings of developed countries, are increasingly interested in evaluating the quality of health care services (Prasanna et al., 2009). According to Donabedian (1980), client satisfaction is a fundamentally important measure of the quality of care because it offers information on the provider's success at meeting those expectations of most relevance to the client. Measures of satisfaction are, therefore, important tools for research, administration and planning. Patient satisfaction can also be used to evaluate the process of health care (Carey & Seibert, 1993; Etter, Perneger, & Rougemont, 1996; Fitzpatrick, 1991a, b; Guadagnoli & Cleary, 1995; Kane, Maciejewski, & Finch, 1997; Lasek,

Barkley, Harper, & Rosenthal, 1997; Linn et al., 1995; Ross, Steward, & Sinacore, 1995; Williams, 1994), as greater satisfaction may be related with superior compliance, improved attendance at return visits and better outcomes (Cleary, Keroy, Karapanos, & McMullen, 1989).

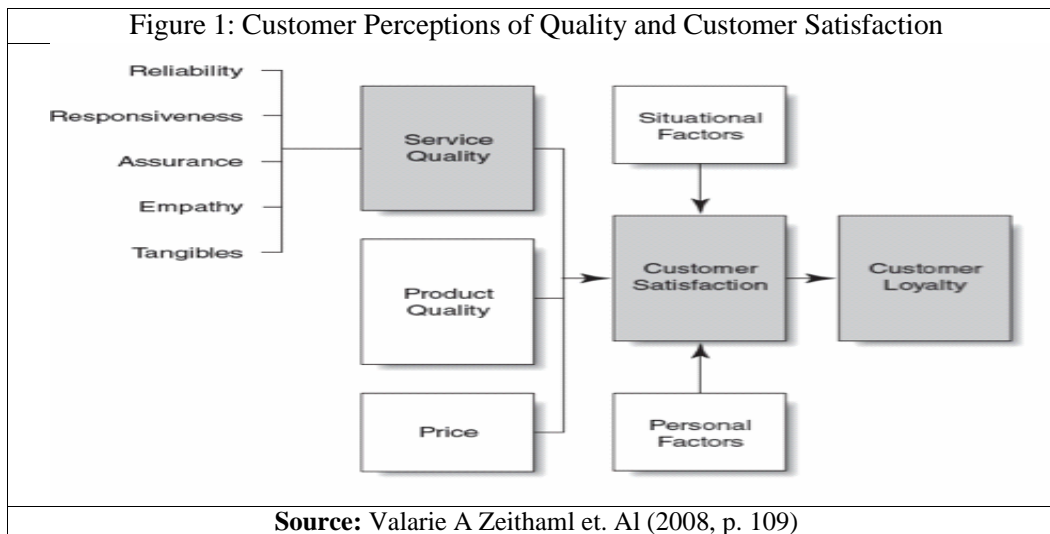
Factors associated with satisfaction are thought to include the structure, process and outcome of care as well as patient socio-demographic, physical and psychological status, and attitudes and expectations concerning medical care (Cleary & McNeil, 1988; Minnick, Roberts, Young, Kleinpell, & Marcantonio, 1997; Williams, 1994).

Client satisfaction is measured directly by asking whether respondents feel satisfied or dissatisfied with individual service quality items (Nathorst-Boos et al., 2001). In still others, the degree of discrepancy between expectations and perceived performance is defined as client satisfaction (Williams, 1994). In Bangladesh, very few studies have tried to measuring patient satisfaction with the quality of hospital services. Previous assessments of client satisfaction with services provided by government health workers in Bangladesh has usually constituted a marginal element in performance appraisals (Whittaker M et al., 1993; Khnun P et al., 1994; Mahbub F et al., 1991; Hashemi S et al., 1995; Al- Sabir et al., 1995). These studies have mostly been limited to family planning, but one finding worth mentioning is that quality of care was not always linearly associated with the level of satisfaction expressed by clients (see Aldana et al., 2001).

Aldana, Piechulek and Al-Sabir (2001, p. 512) have measured client satisfaction (operationalized directly as “very satisfied” to “very dissatisfied”) with general health-care clinic services in rural Bangladesh and noted that perceptions of provider behavior, especially respect and politeness, are strongly associated with satisfaction. Wait time is also important but perceptions of medical staff technical competence are relatively less important.

In a revolutionary article, Parasuraman et al. (1985) developed a gap model by synthesizing (1) the expectation-disconfirmation theory concerning consumer satisfaction (Churchill and Surprenant, 1982; Gronroos, 1982; Lewis and Booms, 1983; Oliver, 1980), and (2) previous explorations of the dimensions of service quality (Gronroos, 1982; Lehtinen and Lehtinen, 1982; Sasser, Olsen, and Wyckoff, 1978). They subsequently developed a multiple-item scale named SERVQUAL which conceptualizes and measures elements of service that are evaluated by service customers in assessing service quality. According to the SERVQUAL conceptualization, service quality can be assessed by five dimensions: reliability, responsiveness, assurance, empathy and tangibles (Parasuraman et al., 1988). But the use of SERVQUAL scale has been highly criticized in terms of both theoretical and operational issues. The SERVQUAL scale has also been criticized in methodology aspect, mainly due to its calculation mechanism using a difference score between expected performance and the actual performance of a service provider. Specific criticisms on SERVQUAL methodology include multicollinearity resulting from the auto-correlation between the measures (Spreng, Mackenzie, and Olshavsky, 1993), low reliability (Spreng and Singh, 1993), and problems with discriminant validity (Brown, Churchill, and Peter, 1993).

We know that satisfaction is a function of customers’ expectations and satisfaction is influenced by perceptions of service quality, product quality and price as well as personal and situational factors. The following figure reflects the relationship between customer perceptions of quality and customer satisfaction.



The SERVQUAL approach to the measurement of service quality has attracted considerable attention since first introduced by Parasuraman et al. in 1985. In the early 1980's Parasuraman, Zeithaml & Berry conducted an extensive program of qualitative research with business people and consumers to explore the concept of service quality. They concluded that service quality as perceived by customers depends on the gap between their expectations and the level of service that was actually provided. They also identified ten components of service quality, including constructs such as competence, courtesy, credibility, and security initially. This list was later reduced to five constructs - tangibles, responsiveness, empathy, assurance and reliability when they have extended their research in 1988 forming the basis of a scale called SERVQUAL ((Parasuraman, Zeithaml, & Berry, 1988)) with the respective meanings as given below:

- **Reliability:** The ability to perform the service dependably and accurately.
- **Responsiveness:** The willingness to help customers and provide prompt service.
- **Assurance:** Employees' knowledge and courtesy and their ability to inspire trust and confidence.
- **Empathy :** Caring individualized attention given to customers
- **Tangibles:** The appearance of physical facilities, equipment, personnel, and written materials.

### Methodology of the Study

In this study, a mixed form of research design combining exploratory and descriptive is followed. The objective of this study is to evaluate patients' satisfaction with healthcare services provided by a leading private hospital located in the capital city of Bangladesh and to attain the objective a model titled SERVQUAL developed by Parasuraman et al. (1988) has been used. In the study, a total number of 50 patients have been selected from a leading private hospital situated in Dhaka city through convenience sampling. The patients selected as sample took health care services from the said hospital sometime from October 1, 2013 to November 15, 2013. In processing data 03 questionnaires have been rejected due to incomplete filling by the respondents. To collect data from respondents, a structured questionnaire has been prepared based on SERVQUAL model containing 22 statements with 5 different dimensions. Data have been collected from respondents in a 5-point Likert Scale and processed using SPSS 16.

### Findings and Discussions:

**Table 1: Patients' Satisfaction with Different Dimensions of Services**

Dimensions	Average Score
Reliability	3.91
Responsiveness	3.405
Assurance	3.835
Empathy	3.412
Tangibles	4.25
	18.812/5=3.7624

Source: Author's Computation



From the above table it has been seen that average scores of the respondents regarding different dimensions of services such as-reliability, responsiveness, assurance, empathy, and tangibility are 3.91, 3.405, 3.835, 3.412, and 4.25 respectively indicating above neutral or positive responses towards patients’ satisfaction. Moreover, tangibility score is 4.25 among other dimensions indicating that patients are satisfied and have agreed that the appearance of the physical surroundings and facilities, equipment, personnel, and the way of communication are appealing. The average scores of reliability and assurance are 3.91 and 3.835 respectively which indicate that patients’ satisfaction related to these two dimensions are above neutral in average and closer to “agree (4)”, thus, it can be said that patients have agreed somewhat and are satisfied with the abilities of the hospital to perform the promised service dependably and accurately along with knowledge and courtesy of employees and their ability to convey trust and confidence. However, average scores of responsiveness and empathy are 3.405 and 3.412 respectively indicating that patients’ satisfaction about the hospital’s willingness to help and provide prompt service with caring, individualized attention the hospital provides its patients is closer to neutral and “agree” response. So, total average (3.7624) of these 5 dimensions is indicating that the patients are not highly satisfied toward medical services.

**Table 2: Patients’ Satisfaction with Reliability of Medical Services**

Reliability	N	Min	Max	Mean	Std. Deviation
When the hospital promises to deliver a service by a certain time, it does so.	47	2	5	3.80	.833
When patients have a problem, the hospital shows a sincere interest in solving it.	47	2	5	4.00	.728
The hospital performs the service right the first time.	47	2	5	3.86	.700
The hospital provides its service at the time it promises to do so.	47	2	5	4.00	.728
The hospital insists on error free records	47	2	5	3.92	.634
Valid N (listwise)	47				

**19.58/5=3.91**

It has been observed from the above table that the average score of patients’ satisfaction with the reliability of the medical services is 3.91 which is very close to 4 indicating patients are merely satisfied. The scores (4.00 and 3.86) in the table depict that the hospital was found sincere in solving the patients’ problem and try to deliver according to their promises. The scores 4.00 and 3.92 imply that the patients perceive that the hospital cannot maintain error free services and cannot maintain time in delivering their services. The standard deviations of patients’ satisfaction with reliability of the medical services are .833, .723, .700, .728 and .634 respectively because it shows that the individual responses to a question, on average, vary or "deviate" from the mean.

**Table 3: Patients' Satisfaction with Responsiveness of Medical Services**

Responsiveness	N	Min	Max	Mean	Std. Deviation
The hospital keeps patients informed about when services will be performed.	47	2	5	3.30	.886
The doctors and medical staff in the hospital give you prompt service	47	2	5	3.24	.657
The doctors and medical staff are always willing to help you.	47	2	5	3.88	.872
The doctors and medical staff are never too busy to respond to your request.	47	2	5	3.20	.756
Valid N (listwise)	47				

**13.62/4=3.405**

The table shows that the patients' satisfaction with the responsiveness of the medical services proved by the said hospital is 3.405 which mean most of the patients are neutral with the services of the hospital in this dimension. The scores in the table depict that the performance of the hospital in all elements of this dimension is not up to the expected level of the patients. As the scores are 3.30, 3.24, 3.88 and 3.20, it has been found that the service providers are not prompt and spontaneous in delivering services and has not always kept the patients informed about when services will be performed.

On the other hand, it has been observed that the standard deviations of patients' satisfaction with responsiveness of the medical services are .886, .657, .872 and .756 respectively because it shows that the individual responses to a question, on average, vary or "deviate" from the mean.

**Table 4: Patients' Satisfaction with Assurance of Medical Services**

Assurance	N	Min	Max	Mean	Std. Deviation
The behavior of doctors and medical staffs instills confidence in you	47	2	5	3.60	.782
You feel safe in taking services from this hospital	47	2	5	3.48	.707
The doctors and medical staffs are consistently courteous with you.	47	3	5	4.38	.725
The doctors and medical staffs have the knowledge to answer your questions.	47	3	5	3.88	.659
Valid N (listwise)	47				

**15.34/4=3.835**

The study reveals that the average score of patients' satisfaction with the assurance dimension of medical services provided by the hospital is 3.84 which indicate most of the patients are neutral with the hospital. As the score is 4.38, it can be implied that the service providers are courteous and consistent in their behavior with the patients. On the other hand, patients don't always feel safe in taking services from the hospital as the score (3.48) implies. Based on the scores in the table, it has been observed that the patients feel doctors and staffs are knowledgeable but they can't instill confidence to a large extent.

On the contrary, the table shows that the standard deviations of patients' satisfaction with assurance of the medical services are .782, .707, .725, and .659 respectively because it shows that the individual responses to a question, on average, vary or "deviate" from the mean.

**Table 5: Patients' Satisfaction with Empathy of Medical Services**

Empathy	N	Min	Max	Mean	Std. Deviation
The doctors and other medical staffs give you individual attention.	47	3	5	3.58	.673
The hospital has doctors and nurses who give you personal attention.	47	2	5	3.28	.834
The hospital has your best interests at heart.	47	2	4	2.92	.695
The doctors and medical staffs understand your specific needs.	47	2	5	3.34	.772
The hospital has service hours that are convenient to all its patients.	47	3	5	3.94	.712
Valid N (listwise)	47				

**17.06/5=3.412**

As the average score is 3.412, the study shows that patients' neutral or simply satisfied with empathy of medical services provided by the hospital. Based on score (2.92) it can be interpreted the hospital does not give highest focus on the interest of the patients. It is also revealed that patients are getting convenient service hours (mean response is 3.94) from the hospital. The study also shows that patients perceive the hospital gives individual attention to the specific problems, not to the highest level. Moreover, the hospital has little understanding on patients' specific needs as the score is 3.34. However, the standard deviations of patients' satisfaction with empathy of the medical services are .673, .834, .695, .772 and .712 respectively because it shows that the individual responses to a question, on average, vary or "deviate" from the mean.

**Table 6: Patients' Satisfaction with Tangibles of Medical Services**

Tangibles	N	Min	Max	Mean	Std. Deviation
The hospital has modern-looking equipment	47	3	5	4.26	.633
The physical facilities of the hospital are visually appealing	47	3	5	4.18	.596
The doctors and medical staffs of the hospital appear neat	47	3	5	4.26	.633
Materials associated with the service are visually appealing at UBL.	47	3	5	4.16	.681
Valid N (listwise)	47				

**16.86/4=4.25**

Above table shows that average score of patients satisfaction with tangibles of medical services is 4.25 which indicates patients' are satisfied and agreed to the services the hospital provides with tangibility dimension. As the score (4.26) is same on modern-looking equipment and appear neat respectively, it can be interpreted that the hospital is

providing modern-looking equipment where doctors and medical staffs appear neat in front of patients. In addition to that, physical facilities of the hospital and materials associated with the service are visually appealing.

On the other hand, the standard deviations of patients' satisfaction with tangibles of the medical services are .633, .596, .633, and .681 respectively because it shows that the individual responses to a question, on average, vary or "deviate" from the mean.

### **Conclusion:**

Patients' satisfaction is one of the most expected outcomes of any hospital. Although it can be based on the dimensions of services like reliability, responsiveness, assurance, empathy, and tangibility that a hospital provides but patients' satisfaction depends on how well these dimensions are working from all sides of the hospital. In that case, patients are satisfied in tangibility dimension of the hospital because the hospital has modern-looking facilities where doctors and medical staffs appear neat in front of patients. In reliability and assurance dimensions, it has been seen that patients are neutral or somewhat satisfied. On the contrary, it has been found that the hospital is lagging behind in responsiveness and empathy dimensions of services indicating these dimensions are not quite satisfactory for patients in the hospital. The respondents were not always responsive in answering to all the questions due to mental state at the time when they face and receive medical services from the hospital. In addition, no benchmark has been found to determine and compare patients' satisfaction because patients vary from one to another and so as their problems. So, the hospital should observe the patients continuously to incorporate performance for patients' satisfaction.

### **Limitations and Scope for Future Research**

The present study was conducted only on a leading private hospital situated in Dhaka city with a small sample of respondents selected through convenience sampling. The questionnaire was administered on fifty respondents out of which three questionnaires were rejected due to incomplete filling by the respondents. So, the results of the study may not illustrate the actual scenario about patients' satisfaction with the medical services provided by private hospitals in Bangladesh. In view of limitations of the study mentioned, a further study can be conducted on a larger number of hospitals situated in the capital city, divisional cities and district towns of Bangladesh. And, the study should be conducted with a larger sample size in multiple locations of Bangladesh to get an accurate picture of patients' satisfaction with the quality of medical services.

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## Annexure

### Questionnaire on Patients' Satisfaction with the Quality of Medical Services in Bangladesh

**Dear Respondents**

The data you are providing through this questionnaire will exclusively be used for research purpose and in no case will be disclosed to anybody.

Thank you very much indeed for your cooperation.

The Researchers

**B. Please tick (✓) any one from 1 to 5 in the boxes against a statement to show your agreements to the elements of service quality.**

Strongly Disagree					Strongly Agree
1	2	3	4	5	

<i>RELIABILITY</i>		Degree of Agreement				
STATEMENTS		1	2	3	4	5
i	When the hospital promises to do something by a certain time, it does so.					
ii	When you have a problem, the hospital shows its sincere interest in solving it.					
iii	The hospital performs the service right the first time.					
iv	The hospital provides service at the time it promises to do so.					
v	The hospital insists on error free records					

<i>RESPONSIVENESS</i>		Degree of Agreement				
STATEMENTS		1	2	3	4	5
i	The hospital keeps patients informed about when services will be provided.					
ii	The doctors and other medical staffs give you prompt service					
iii	The doctors and other medical staffs are always willing to help you.					
iv	The doctors and other medical staffs are never too busy to respond to your request.					

<i>ASSURANCE</i>		Degree of Agreement				
STATEMENTS		1	2	3	4	5
i	The behavior of doctors and other medical staffs instills confidence in you					
ii	You feel safe while you are taking services from the hospital.					
iii	The doctors and other staffs are consistently courteous with you.					

Patients' Satisfaction with the Medical Services in Bangladesh....

iv	The doctors and other medical staffs have the knowledge to answer your questions.					
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<i>EMPATHY</i>		Degree of Agreement				
STATEMENTS		1	2	3	4	5
i	The hospital gives you individual attention.					
ii	The hospital has doctors, nurses and other support staffs who give you personal attention.					
iii	The hospital keeps your best interests at heart.					
iv	The service providers of hospital understand your specific needs.					
v	The hospital has operating hours that are convenient to you.					

<i>TANGIBLES</i>		Degree of Agreement				
STATEMENTS		1	2	3	4	5
i	The hospital has modern-looking equipment					
ii	The physical facilities of the hospital are visually appealing					
iii	The doctors and medical staffs appear neat					
iv	Equipment associated with the medical service is visually appealing at the hospital.					

Thank You Very Much



## **Techniques of Integration: An Alternative Tool for Solving Problems of Financial Transactions Concerning Simple Interest**

**Mahbub Parvez\***

***Abstract:** Money has time value. The value of Tk today is more worthy than the value of Tk 1 tomorrow as today's money can be invested to earn positive returns in future. This economic principle recognizes that the value of money is affected with the passage of time. Problems of financial transactions concerning simple interest are usually solved by algebraic formula. This paper attempts to solve such problems using techniques of integration and makes a comparison with the results obtained by the classical algebraic method and finds no error. The proposed techniques could be implemented in the practical field as it provides error-free result.*

***Key Words:** Integration, financial transactions, simple interest, time value of money.*

### **1. Introduction**

The value of money changes over time due to the current preference of money over future. Several macro-economic variables expedite like inflation, interest rates, exchange rates etc. are the contributing factors for this current preference. Interest rate accommodates most of the macro economic anomalies to define the way of how money is losing its value over the period. Thus, the idea of simple interest is an important concept in finance literature for the people who deal with money. The same amount of money today is more valuable than in the future as the value of money is always decreasing. So, the timing of cash outflows and inflows has important economic consequences in any type of financial decision making process. It may be unanimously said that the financial decision making is based on the core concept of interest with different dimensions. Say, for example, a current cash flow may be required to be converted into the value such cash flow may generate with a future reference of time (future value) and vice versa. In a very simple scenario, this is done by considering simple interest though now a days a good number of financial institutions have started more frequent compounding to attract more investors. Problems concerning the calculation of simple interest and future value are often solved by algebraic formulae. This paper attempts to solve such problems using integration techniques. From this point of view the study has somewhat got diagnostic format and tries to establish a formula related to integration techniques regarding the solutions of the problems of calculating financial transactions concerning simple interest.

### **2. Objectives**

In line with the basic focus of the paper, it seeks to compute the future value (at  $t = n$ ) of a certain sum of money under integration technique. It also shows the computation of present value (at  $t=0$ ) of a future sum of money. And finally, the paper will also be

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helpful to know the rate (simple interest) for which your investment is growing. By using the integration techniques the above mentioned problems are being solved here that is perceived to be the addition of this paper and the motivation point for study. So the prime objective of this study is to develop and propose a methodology that involves alternative formula to solve problems of financial transactions concerning simple interest. Compound interest is not considered here for the sake of simplicity of presentation and to avoid some complexity and confusion that may arise in applying integration to compound interest situation. The result of the integration confirms the accuracy which is shown again re-computing the same thing under traditional algebraic equations.

### **3. Literature Review**

Interest is the price paid for the use of borrowed money or money earned by depositing funds (Arthur & Sheffrin, 2003). Everyone in business becomes involved in transactions where interest rates affect the amount to be paid or received. The value of the money is changed considering that interest rate together with time; that is why it is called Time Value of Money (Gitman, 2004). The calculation has been simplified by the time through different formulations in mathematics and economics. The formulas, for example, PV, FV, RATE, NPER, PMT, are programmed into most financial calculators and several spreadsheet functions (Hovey, 2005). In these formulations, interest rate is used to mean discounting which refers to the common issue that the present value a future sum will be less than its explicit value. Numerous experimental studies have lent credence to the hyperbolic discounting model, which posits that individuals are impatient about immediate or near-term consumption decisions, but are relatively more patient over future consumption (Klemick & Yesuf, 2008). Individual rates of time preference have important policy implications in developing countries, from savings to investment to conservation decisions.

Pender (1996) conducted an experiment resulting that discount rates are significantly higher than prevailing interest rates, consistent with the hypothesis of constrained credit access among the study population. Discount rates increased with the time horizon (up to one year), indicating hyperbolic preferences. Time discounting experiments in the Bolivian rainforest used candy as the form of payment, classifying participants as impatient if they preferred one candy early in the interview instead of multiple candies at the end of the interview (Godoy et al., 1998). Thus the common understanding is that the present is more preferred and all future cash flows are discounted at a certain rate to take decision with economic justification. Modern business relies hundred percent on the time value of money and no one can move a step neglecting the changing rate. Next section presents the application of algebraic formula and integration using simple interest rate.

#### **3.1 Simple Interest and the Future Value**

Interest rates are generally quoted in percentage form and, for use in calculations, must be converted to the equivalent decimal value by dividing the percentage by 100. For example,  $I = 8.5\% = 0.085$

Unless otherwise stated, a quoted rate is a rate per year. Thus Tk 1 at 8 percent means that interest of Tk 0.08 will be earned in a year, and Tk 100 at this rate provides Tk 8

$(100 \times 0.08)$  of interest in one year. Interest on Tk 100 at 8 percent for 9 month is interest for 9/12 years. That is, the amount of interest will be Tk 6 as computed below:

Interest	=	Principal	×	Rate	×	Time (in years)
I	=	P	×	i	×	n
Tk 6	=	100	×	0.08	×	9/12

Thus, the algebraic formula for simple interest is:  $I = Pin$  (Prichett & Saber, 2004)

Now the interest is added back to the principal and the sum is called the future value (F). Thus, the future value under algebraic formulation of future value is given as,

$$F = P + I$$

$$= P + Pin = P(1 + in)$$

The algebraic formula for calculating future value assuming simple interest is  $F = P(1 + in)$  (Prichett & Saber, 2004)

‘A dollar in hand today is worth more than a dollar to be received in the future because, if you had it now, you could invest it, earn interest, and end up with more than one dollar in the future. The process of going from today’s values, or present values (PVs), to future values (FVs) is called compounding’ (Brigham et al., 2001) that is simply opposite to discounting as said earlier. To illustrate, let us assume that we have deposited Tk 100 in a bank that pays 5 percent interest per year. How much we have at the end of one year may be computed by using the algebraic equation for calculating future value as presented below:

$$F = P(1 + in) = Tk 100(1 + 0.05) = Tk 105$$

### 3.2 Differential Equations and Techniques of Integration

The methodology of differential equations which are going to introduce is widely applied in solving rate problems. A differential equation is one that contains a differential or a derivative.

If  $y = f(x)$  is a function, where for any value of  $x$ , we have a unique value of  $y$ , then  $\frac{dy}{dx} = f'(x)$ , and  $\frac{dy}{dx}$  is not a fraction with  $dy$  as numerator and  $dx$  as denominator, but a

single symbol meaning the same as  $f'(x)$ . However, when we write  $\int f'(x) dx$ ,  $dx$  appears alone. To achieve consistency, we define  $dy$  to be  $f'(x)dx$ . That is, if  $\frac{dy}{dx} = f'(x)$ , then  $dy = f'(x)dx$ .

Thus for example, if  $\frac{dy}{dx} = 2x$ , then  $dy = 2x dx$  is a differential equation that is solved by integrating the left with respect to  $y$  and the right with respect to  $x$ . That is,

$$\int dy = \int 2x dx$$

$$\Rightarrow y + c_1 = x^2 + c_2 \quad \Rightarrow y = x^2 + c_2 - c_1$$

in as much as  $c_2$  and  $c_1$  are arbitrary constants,  $c_2 - c_1$  is another arbitrary constant, which we may call C. We shall follow the practice of writing only one constant for one integration step, so the solution is  $y = x^2 + C$ .

A solution such as this, which contains the constant of integration, is called the general solution of the differential equation, and each value for C yields a particular solution of the differential equation. Thus,  $y = x^2 + 10$  is one particular solution, and there are infinitely many particular solutions (Prichett & Saber, 2004).

**Differential equation in explicit form:**

$$\frac{dy}{dx} = \frac{y}{x}; x \neq 0$$

$$\Rightarrow dy = \frac{y}{x} dx \quad \Rightarrow \frac{dy}{y} = \frac{dx}{x}$$

Integrating the equation, we have -

$$\int \frac{dy}{y} = \int \frac{dx}{x}$$

$$\Rightarrow \ln y = \ln x + C.$$

This solves the equation in terms of  $\ln y$ , but not explicitly in terms of  $y$ . Further, we write,

$$\ln y - \ln x = C$$

$$\Rightarrow \ln y/x = C.$$

We next apply the definition of the natural logarithm and write  $y/x = e^C$  in as much as  $e$  is a constant and  $C$  is a constant,  $e^C$  is also a constant, which may be denoted by  $K$ . Hence we have  $y/x = K$  or  $y = Kx$  as the explicit general solution. This result is a straight line of slope  $K$  that passes through the origin, and a line through the origin is the only function whose slope can be found by dividing the  $y$ -coordinate of any one of its points by the  $x$ -coordinate; that is, slope is equal to  $\frac{dy}{dx} = \frac{y}{x}$ , which is the initial differential equation.

Observe, however, that  $x$  cannot be equal to zero, so the differential equation, and therefore the general solution is not defined for  $x = 0$  (Prichett & Saber, 2004).

**4. Establish the Formula**

**Step 1: Determine the slope of the formula**

Let the present value = P, Interest rate =  $i$ , Time =  $t$  years and Future value = F

To compute the future value (F), we have gone for a differential equation. To this end, the rate of increase ( i ) has Taka/year as its unit of measurement. If this rate continued for dt years, where dt therefore has years as its unit of measurement, then, i(Taka/year).dt years = i dt Taka. So i dt Taka represents the change in the amount in time dt years. Calling this change in amount in to the account is dy, and we write the differential equation as  $\frac{dy}{dt} = i$  (Constant), which is the slope of a straight line. The equation finally implies that **dy = i dt**.

**Step 2: General solution of the differential equation**

Now to derive the general solution of the differential equation as found in step 1, we have to follow the following steps:

$$dy = i dt$$

$$dy = (\text{Interest rate}). (\text{Present value}). dt$$

$\Rightarrow dy = 0.0i(P).dt$ , where dy denotes change of amount after t years, P represents present value and i refers to interest rate which is 0.0i.

$$\Rightarrow \int dy = \int 0.0i(P).dt$$

$$\Rightarrow y = 0.0i(P)t + C \dots\dots\dots(1)$$

As (Interest rate).(Present Value) is a constant term, it will not effect the integration. The mode of thinking is just illustrated precisely only when the rate function is linear. This is the general solution.

**Step 3: Particular solution of the differential equation**

To derive the particular solution, the following steps may be illustrative:

Let the present value of the amount be y = P at t = 0 years.

$$\therefore P = 0.0i(P).0 + C$$

$$\Rightarrow P = C$$

Hence the particular solution is;

$$\therefore F = y(t) = 0.0i(P).t + P$$

$$\Rightarrow F = 0.0i(P).t + P \dots\dots\dots(2)$$

**So the steps that are required to calculate the future value are:**

Identify the slope that is the interest rate

Set dy = (Interest rate) (Present value) dt

By integrating both sides we have -

$$y = (\text{Interest rate}) (\text{Present value}) t + C$$

Compute the value of C when t = 0

Determine the formula,

$$Y = (\text{Interest rate}) (\text{Present value}) t + P$$

(Source: Shil, N.C, Parvez, M. 2010. "Life Cycle Costing: Techniques and Applications, Choosing the Most Economic Project" VDM Verlag Dr. Muller, Germany, p.16-17)

**Illustration 4.1: Find the future value if Tk 10,000 is invested at 10 percent for 3 months.**

Given: Present Amount (P) = Tk 10, 000

Interest rate (I) = 10 percent

Time (t) = 3 months ( $\frac{1}{4}$  years)

According to our rule we get, slope = interest rate = 10% = 0.10/ year

Hence,  $dy = (\text{Interest rate}) (\text{Present value}) dt$  implies  $dy = (0.10) (\text{Tk } 10,000) dt$

$$\int dy = \int 0.10(10000).dt \Rightarrow y = 1000t + C$$

By applying the initial condition, we have  $y = 10000$ , when  $t = 0$

implies  $C = 10000$

Hence, we have  $F = y(t) = \text{Tk } 1000 t + \$10000$

When  $t = \frac{1}{4}$  years,  $F = \text{Tk } 1000 (\frac{1}{4}) + \text{Tk } 10000 = \text{Tk } 10250$  (F = Future Amount)

**Using algebraic formula we get,**

$$\text{Future Amount} = P (1+in) = \text{Tk } 10000(1 + 0.10/4) = \text{Tk } 10250$$

Here error in amount is 0.

**Illustration 4.2: Find the present value of Tk 2000 at 9 percent due 6 months from now.**

Given: Future Amount (F) = Tk 2000

Interest rate (i) = 9%

Time (t) = 6 months =  $\frac{1}{2}$  years

Present Amount (P) = ?

According to our rule we get, slope = interest rate = 9% = 0.09/ year

We have

$$dy = (\text{Interest rate}) (\text{Present value}) dt$$

$$dy = (0.09)(P) dt$$

$$\Rightarrow \int dy = \int (0.09)(P).dt$$

$$\Rightarrow y = 0.09Pt + C$$

By applying the initial condition, we have  $y = P$ , when  $t = 0$

that implies  $C = P$

Hence, we have  $F = y(t) = .09Pt + P$

$$\Rightarrow \text{Tk } 2000 = (0.09)1/2 P + P$$

$$\Rightarrow P = \text{Tk } 1913.87$$

**Using algebraic formula we get,**

$$\text{Future Amount} = P(1 + in)$$

$$\Rightarrow \text{Tk } 2000 = P(1 + 0.09 \times 1/2)$$

$$\Rightarrow P = \text{Tk } 1913.87$$

Here error in amount is 0.

**Illustration 4.3: At what rate of interest will an investment of Tk 1500 for 5 years grow to the amount of Tk 3000?**

Given: Future Amount (F) = Tk 3000

Present Amount (P) = Tk 1500

Time (t) = 5 years

Interest rate (i) = ?

We have,

$$dy = (\text{Interest rate}) (\text{Present value}) dt$$

$$dy = i(P)dt \quad \Rightarrow \int dy = \int i(P).dt$$

$$\Rightarrow y = iPt + C \quad \Rightarrow 3000 = i(1500)t + C$$

$$\Rightarrow 3000 = i(1500)t + 1500 \quad (\text{when } t = 0, y = p = 1500)$$

$$\Rightarrow 1500 = i(1500)(5)$$

$$\Rightarrow i = 1/5 = 0.20$$

$$\Rightarrow i = 20\%$$

**Using algebraic formula we get**

$$\text{Future Amount} = P(1 + in)$$

$$\Rightarrow 1 + 5i = 3000/1500$$

$$\Rightarrow 5i = 1$$

$$\Rightarrow i = 20\%$$

Here error in interest rate is 0.

**Illustration 4.4: Someone placed Tk 100 in an employees' savings account that pays 8 percent simple interest. How long will it be, until the investment amounts to Tk 150?**

Given: Future Amount (F) = Tk 150  
Present Amount (P) = Tk 100  
Interest rate (i) = 8%  
Time (t) = ?

According to our rule we get, slope = interest rate = 8% = 0.08/ year

$$dy = (0.08)(100) dt$$

$$\Rightarrow \int dy = \int (0.08)(100). dt \Rightarrow y = 8t + C$$

By applying the initial condition, we have  $y = \text{Tk } 100$ , when  $t = 0$  that implies  $C = \text{Tk } 100$

Hence, we have  $F = y(t) = 8t + 100$   
 $\Rightarrow 150 = 8t + 100$   
 $\Rightarrow 8t = 50$   
 $\Rightarrow t = 6.25 \text{ years}$

**Using algebraic formula we get,**

$$\begin{aligned} \text{Future Amount} &= P(1 + in) \\ \Rightarrow 150 &= 100(1 + 0.08n) \\ \Rightarrow n &= 6.25 \text{ years} \end{aligned}$$

Here error in time is 0.

## 5. Results and Discussions

The above formula used to calculate the future value of simple interest is newly derived. The formula is a new one and established by using basic techniques of Integration. This paper tries to solve the problems relating to financial transactions concerning simple interest with more advanced mathematical formula instead of classical algebraic formula and provides exact result. As the error is zero in every case, these equations may be used for doing the same financial functions. However, the derived formula is only used to calculate the future value, present value, interest rate and periods considering only the simple interest. Compound interest is not taken into consideration. This may be considered as a limitation of the study and left for the further researchers who like to extend their researches in this area.

## 7. Conclusion

The paper is methodology based and the author has tried to establish a new methodology regarding solving problems of future value formula for simple interest. As the formula provides exact result, the formula could be implemented in practical problems.

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## **Social & Economic empowerment of Rural Poor Women**

**Syed Mizanur Rahman**

### **Abstract:**

The rights of the people particularly the poor women of Haor area are frequently oppressed by domestic violence, fatwa, torture, inhuman behavior and attitudes in the prevailing social, credit slavery, economic and environmental contexts of Bangladesh. This study has been designed to examine the HAOR project Implemented by Environment and Development (IED) and ManusherJonno Foundation (MJF) and aims to develop capacities of the poor and marginalized people in order to raise their voice and represent their interest. Despite the severity of poverty and the magnitude of economic, social and practical challenges, there have been prospects of Bangladesh meeting most of the Millennium Development Goals (MDG). The MDGs could be achieved through putting appropriate focus on the extreme poor especially on women, addressing their vulnerability and risks, promoting access of the poor to resources and institutional constraints including those local government.

Finding show that under such circumstances or social reality, a project like this has assembled the rural poor women, attempted for their social and economic empowerment and succeeded in reducing discrimination against women, ultra poor and vulnerable segments of the society control on resources, strengthened the local government, etc.

### **Background and Rationale:**

Institute of Environment and Development (IED) has been working since 1994 for developing and promoting livelihood and citizenship among civil society members including community people with special emphasis the poor, women, youth, and minority.

Since its inception, IED is an active partner of development efforts in Haor and coastal areas (Sunamgonj), Netrakona, and Shandip). IED experienced that awareness raising, social mobilization, encouraging local peoples' initiatives and sensitisation of local elected bodies could play an important role to create the momentum in order to achieve significant result in improving the status of women and poor in the area. Harmonize the Actions against inequalities and Oppressions of Rights (HAOR) project in DharmapashaUpazila under sunamgonj district and Barhatta and MohangonjUpazilla under Netrakona district have been working since April 2007 with financial support from ManusherJonno Foundation (MIF)

With different kind of controversy it is said that Bangladesh has made a significant progress in reducing poverty over the last 1-2 decades, still a remarkable portion of over 14 million people live below povertyline. Despite of the severity of poverty and the magnitude of economic, social, and political challenges, there have been prospects of Bangladesh meeting most of the Millennium Development Goals (MDG). The MDGs could be achieved through putting appropriate focus on the extreme poor especially on women, addressing their vulnerability and risks, promoting access of the poor to

resources and institutional constraints including that local government. For any people addressing causes of social and economic poverty, empowerment, and rights based approach have to be applied. These will be enhanced towards desirable direction for improving quality of the community if the human resources are properly developed through institution development, creating awareness on rights, empowerment and training. These in turn would play a significant role in providing food security, employment generation, nutrition uptake and income earning and reduce poverty and to enhance condition and position of women in family and society. Midterm evaluation at this point will help to compare situation with baseline.

### **Geographic Location:**

Ten hard to reach adjacent unions mainly in the Haor area under Dharmapasha, Barhatta and MohanganjUpazilas in the borders of Sunamganj and Netrakona districts will comprise area of the project. The following table presents the districts,upazilas and unions to be under the project coverage.

<b>District</b>	<b>Upazilla</b>	<b>Union</b>
Sunamgonj	Dharmapasha	Uttar BangshiKunda, DakshinBangshiKunda, Madhya Nagar/Dharmapasha =4 Unions
Netrakona	Barhatta	Chiram, Sindha, Asma, = 3 Unions
	Mohongonj	BakshiaBirampur, BarataliSuair =3 Unions
<b>Total 2 Districts</b>	<b>3 Upazilas</b>	<b>10 Unions</b>

### **Objective of the Study**

To evaluate impacts of the project HAOR or Harmonize the Actions against inequalities and Oppressions of Rights.

### **Study Methodology:**

Deskwork with existing documents i.e. proposal, baseline survey, reports, and manuals and threw other publications given light to design methodology and understanding the project and activities. Both qualitative info and quantitative data have been gathered from the field of depending on the type of beneficiaries and target institutions.

There are 360 groups, 90 ward platforms and 10 community forums at UP Level under the project. Out of these, groups 6 were selected randomly from 3 ward platform of 3 unions to conduct individual interview with pre designed questionnaire. As the beneficiary groups were formed only with women, all respondents are also women. In addition to this 6 males were interviewed in relation to male participation.

**Semi-structured Interview:** Group leaders are the spokesman for individual group and semi-structured interview were conducted with 6 group leaders.

**Focus Group Discussion (FGD):** Focus Group Discussion (FGD) were conducted with students of 2 School and standing committee members of 3 Union Parishad (UP). For

conducting this FGD, school students of class VIII and class IX were selected from 2 different randomly selected school taking 1 from each project district. FGDs were also conducted with standing committee members of 3 Ups. A check list was used for FGD with student UP standing committee members.

Tools for individual interview, semi-structured interview, FGD, observation and open discussion were developed and used. All tools were pre-tested in the field by the involvement of concerned respondents and fine-tuned based on findings of field test.

### **Need Assessment:**

Considering the national context, the poor women of Haor region is the most vulnerable. The severity of poverty in the Haor is more compared to other areas of the country. In addition to the low level leveled of food and other livelihood security, the people are suffering from lack of knowledge and information about their rights. Responsible organizations including the local Govt. Institutions (LGIs) are either ignoring or not able to resolve the fundamental issues of the Haor people.

Due to the increased influence of religious fundamentalism and terrorism and, failure of political forces to undertake practical measure to uphold the democratic and tolerant environment of the country, women and poor are losingspace, which is an alarming situation for culture of human rights. Moreover, this situation has a tremendous negative effect on personal and livelihood security of women and the minority groups in particular. The rise of fundamentalism restricts freedom of women and reinforces discrimination against them and minority groups. Youth are growing without having necessary knowledge and values towards democracy, tolerance and gender sensitivity.

Strategic gender interest including women's empowerment issues is quite neglected or overlooked in the rural community level. Misperception of people about the role of women, lack of democratic culture and values in society, less representation of women and marginalized groups in power structure due to ignorance severely contributed to this deplorable situation.

IEDs experiencing with Haor people showed that most vulnerable people are not receiving even the government services like Shalish, support from line agencies representatives, and allowances like VGD, VGF, widow and old age allowances, due to different kind of nepotism based distribution system and weak governance of UP. They also stated that such kind of allowances could help them in food security and to initiate some micro level income gathering activities. They also expressed that they knew about the scope of different Govt. allowance at Union Parishad (UP) and Upazila Level, but do not get benefit from these because their isolation and failure to organize themselves to create enough pressure to derive the benefits from various sources. Through there is policy of Bangladesh Govt. that there would be 13 standing committees in each Union involving the representative of different class and occupation from community people , NGO representative, line agencies representatives, elected UP representatives etc. in order to make UP more participatory, accountable, and transparent governance system in local level. The elected representatives of UPs are not well aware about their responsibilities and reluctant to inform and activate these standing committees.

Many legal reforms have taken place but villages are still regulated but customary laws or religious directives. Women are the worst victims of these patriarchal commands and absence of institutional arrangements to protect women from the violence occurring in the rural Bangladesh. Following are the key issues to consider in the proposed intervention in the Haor area (I) hard to reach and isolated geographic location; (II) women rights are seriously denied and violated in family and community; (III) very limited support from the government and/ or development agencies during disaster ; (IV) access to and support from education , health, and other social service is too low particularly fro the poor ; (V) serious exploitation exist for the poor , women and minorities ; (VI) UP s and its standing committees are not well placed and poor in the delivering their envisaged services and responsibilities. The Idea is thus develop capacities of the poor and marginalized in order to raise their organized voice to access public service and benefit as their rights and ensure their livelihoods security and represent their interest in the communities and amongst the local authorities through different mechanism to reduce discrimination and contribute in establishing the rights of disadvantaged, poor and women and make capable UP s and its different organs to deliver their envisaged responsibilities.

**The Goal and purposes of the proposed project:**

Enhancing accountability and responsiveness of local govt. for ensuring rights of poor and vulnerable segments especially women.

[Special note: Aiming enhanced status of women and the extreme poor in hard to reach areas the project started from April 2007 and continued up to September 2007 in five working unions for full filling the objectives and outcomes is required for putting on more emphasis on governance focused issues as per recommendation of ManusherJonno Foundation. In November 2007, the project activities extended in another more five unions which were under 2<sup>nd</sup> shift of the project for creating greater impact in the whole project areas. With the rearranged goal, objectives and activities and expected outcomes the project is being implemented in 10 hard to reach unions of Sunamganj and Netrakona district.]

**Project objectives and outcomes:** It seems changed by first year of implementation of the project where needs more attention to realize situations. Remarkably found that running phase is more rights based where women are empowered and powered by themselves to have access to different kind of service delivery and economic activities.

Objectives	Outcomes
01. To organize poor, marginalized and vulnerable especially women under the rights based platform so that they can raise their voice to ensure social rights and services	01. A friendly environment is promoted within the targeted community and family level through formation of solidarity of groups, individuals and network
02. Creating an enabling environment in Union Parishad to make them supportive and responsive towards women, poor and marginalized people in providing services and benefits	02. The Ups and other govt. line agencies would be more sensitized, supportive and active towards women, poor and marginalized people in providing services and benefits

03. To ensure access to services form union Parishad and relevant govt. institutions through creating organizational network and rooted advocacy	03. Extreme poor and vulnerable people have better access to the public allowances and services as their right
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### **Implementation strategy and activities:**

In order to attain the expected outcome, the project follows several strategies, which certainly contributed in achieving the goal and objectives of the proposed project. The strategies were:

1. Development of training modules/guidelines: In order to facilities various training courses, awareness raising events and to enhance the capacity of project staff, community forum, group members, the following training curriculum/modules/guidelines already developed professionally in the different time of the project period by the project and IED staff member:

- a) A guideline for orientation of the project staff.
- b) A planning exercise guideline for ward platform has been developed to facilitate the planning process in Ward platform level.
- c) IEC materials on UP management have been developed the capacity of UP Chairman, Member, and Secretary.
- d) A guideline on formation, functioning and orientation of the Community Forum has been reviewed and finalized.
- e) A guideline/curriculum on conducting awareness sessions for the group members on gender, rights, services and benefits available in Ups, local governance has been developed but needs to be more sequential.
- f) Helping Standing Committees to be functional considering govt. roles and regulations.
- g) Two training modules on gender, facilitation, social mobilization, local level advocacy, and local government were developed for building the capacity of the projects staff.

### **2. Formation of ward Platform, Considering need and sequential manner was found effective to go ahead step by step.**

- a) In first phase, five unions supposed to be covered by the project activities but remaining five unions also covered simultaneously immediate after first step.
- b) Project staff with the help of local community and existing women group leaders identifies around 360, WP 90 in number and community forum 10 in number with functional bodies.

### **3. Planning Exercising in Community level is very much participatory and in line with project goal and objectives.**

a) Project staff is facilitating the Ward platform members to diagnose their rights and livelihood related problems, analyze and prioritizing, find out the feasible alternatives solution and help them to develop a ward level annual action plan through 3-4 planning exercise meeting within first quarter of the project following a standard planning tool and guideline. Project priorities and activities also integrated with their plan during this process. Specific stakeholder, service providers (UP/line agencies) and required support type will also be identified through this process.

b) A union level compilation of ward level plan also developed, which later on was shared with the community forum, Union Parishad and civil societies and their support has been asked accordingly in specific cases.

**4. Formation and orientation of the community forum was community friendly in terms of group size with representation from different perspective. During MTE we found that meetings of community forum are very much interactive and motivational to achieve goal.**

- In collaboration with identified/ formed groups, the project identified conscious local opinion makers/ local leaders, Imam, teacher, matchmaker, youths and civil society members and motivated to form the union level platform including some selected representatives from the ward level platform. i.e. “Community Forum” (around 20-25 members in each representing women-5, community leaders-5, professionals-5, students/youths-5, poor people-5) at each union as a local watch and pressure group to UP in favor of the disadvantaged women groups for materializing their interest and planned activities.
- To enhance the capacity of the community forum, the members of the community form went through orientation on UP & Civic rights, social environment and gender issues at the union level with special emphasis on their roles and responsibilities in making the local government people friendly and maintaining a gender friendly environment in the society.
- Meeting of community forum: Meeting of community forum normally organized at union level on bi – monthly basis to review the progress of the activities planned and implemented during last two months and prepare the plan of action for next two months. The meetings particularly discuss issues about the activities and services of the union parishad, violation of human and women rights in the locality (if any), identify the social problems in the area and find out the ways and means to solve the problems with the support from the community people. The community forum actually plays a role of raising voice of the local people.

**5. Awareness raising events at Ward Platform and Community level for involving bigger communities were successful and result oriented.**

Different behavioral changing events i.e. debate and cultural program (folk song, theatre) and rally organized involving other women, youth and men members of the households for changing perception and the psychographic profile of the community and youth alongside the publication and distribution of different IEC materials.

- **Ward level platform:** Awareness raising events/meeting organized for ward level platform on monthly basis in favor of gender equalities, rights, UP and local Governance gender to increase their level of understanding and mobilize them to realize their rights from the Ups and to implement their planned activities.
- **Community Form:** A wariness raising events and meeting organized for Community Forum on quarterly basis in favor of gender equalities, rights, and to make them able to support the Ward level platforms.

The project Staff facilitating and providing accompanied support to the ward level platform and community forum for implementing the planned activities in a collaborative manner.

- **Debate for school students:** Since debate is considered as the most appropriate tool for sensitization of the students/youth, therefore, one debate competition is being organized for school students in each union involving all secondary schools of the union. The topics of the debate are selected in the basis of gender, to intercept the meaning of democracy, gender, human and women rights issues among the students, theirs parents, teachers, members of the civil society groups and youth of the locality.
- **Cultural program at union level:** Cultural program like alternative/ people's theatre, folk songs etc. are organized at the union level to raise awareness on human/women, social and democratic rights among the community people including the youths of the locality. It is to be noted here that, involving local youths in performing the theatre and rendering the folk songs creates more impacts.
- **Development of IEC materials:** Information, education and communication (IEC) materials i.e. poster and leaflets on strengthening union parishad functionality has been developed and distributed in the working areas to create mass awareness on local government, social environment and gender issues during the project period.

**6. Strengthening Union Parishad and its standing Committees considering possibilities for creating success of operating standing committees rather than increasing numbers only. Focused attention on selected four standing committee and created confidence to carry on timely meeting and implementation of decision by involving all members.**

- a) **Activate standing Committees of UP:** The project initiatives in order to make capable and activate the minimum four standing committees of UP (Agriculture, Health and Family Planning , Social Welfare and *NariNirzatonProtirodh Committee*).
- b) The Project staff makes a primary assessment of existence and functionality of standing committees. Based on the findings, project staff motivate and facilitate Ups to reconstitute and reorganize the said standing committees as per the



government rules and provisions. It is noticed that the project focuses its attention in incorporating the priorities of community plan with UP and standing committee and make them responsive to implement those.

The Project is Facilitating Ups to organize the meeting of selected four standing committees on bi-monthly basis. Necessary motivation and awareness raising session is going on for the standing committee members in order to play an effective role through these meetings.

- c) **Organize workshop/sharing meeting at Union level:** Workshop on annual planning and budgeting with UP representatives and community forum have already been Organized at the union level for ensuring people's participation in annual planning of the Ups integration the priorities of ward level planning.

Community Forum and standing committee representatives, UP and civil society members and the concern Govt. officials participated in different planning / sharing meetings at Ups in the working area of the project in order to share and seek support from UP and GOB. Line agencies specified through mutual discussion in this kind of workshops. Ups has been encouraged to allocate money from their block grant/ other resources to implement some activities of ward level planning, which is beyond the capacity of local community.

- **Organize meeting at Upazilla level has been created a wider group feelings that can lead the initiative to national.**

One sharing meeting at Upazilla level for each working Upazilla has been organized at the beginning of the project implementation for getting leverage to implement the project activities. Project approach, activities, strategies and expected role of different agencies has been shared and discussed in this meeting. Upazilla administration and relevant line agencies, UP and civil society members participated in this meeting.

- **Learning Visit to best practice for selected UP and Community Forum representatives:** In order to enhance knowledge, skills and capacity of the UP and Community Forum representatives, learning visit to the best performing. Ups arranged but needs to be organized more frequently for building better sisterhood and developmental understandings.

**Mukhomukhi:** The project facilitated Ups to organize an open forum event at a common place of the respective Union or in UP complex to share the outcome of the Ups annual plan and tentative budget, their capacity and performance including the process of integrating the community priorities. Representatives from all segment of community people, line agencies, standing committee members, and the elected UP representatives has participated in this kind of meeting.

- **Mobilization/Rally at Union level:** Mobilization of people's/rally on democratic and social rights and local government issues has been organized at union level involving the group members, women professionals civil society representatives,

teachers, students and youths. The rallies organized in conjunction with the significant day observation i.e. International women day and Human Rights day.

### **The baseline survey findings and project performance:**

All group members of the HAOR project are female. So, the respondents for baseline sampled for the questionnaire survey from the group members are female. It was found that 65.5% are within the age bracket of 26-40 years, 16.2% are below 26 years and the rest are over 40 years age. Average size of the respondent household is 5.27. Only 10% respondent households are headed by females. About 90% respondents have either no (65%) or primary level education (25%). 27.7% respondent households own no land, 43.6% own less than 0.5 acre and 13.7% own land between 0.5 acre to 1.0 acre. These give the figure that 85% households own no or less than 1 acre of land. On their other hand, only 3% respondents own land over 3 acres. About 25% respondents expressed that they could not manage food for their family for 3 meals every day in regular basis as they used to charge their profession frequently.

At the time of baseline according to the respondents, lack of scope of free movement (65%) , violence against women, early marriage (37%) and lack of security (37% each) exist within the family or society. In addition to these, women have to face economic problems, problem of expressing views/opinion and also problems relating to different types of physical and mental harassments, sexual abuse and teasing etc. Violence against women in the family is generally created by their husbands, sometimes by the sisters, mothers and brothers of the husbands. The respondent women opined that they did not get any support to reduce domestic violence against them.

At the time of study considering 60 responded from different ward platform, we found that mobility increased by 50% after intervention and security feelings increased for togetherness or sisterhood.

Although from baseline about 59% respondents do not have any idea about the function of UP and none of them know about the standing committee. Over 97% respondents do not know about the roles and responsibilities of the women UP members. Whereas from our study we found that 50% women have clear idea about the function of UP and 30% have partial. Unfortunately, still only 30% respondents know about the roles and responsibilities of the women UP members and 60% know about Chairman's roles and responsibilities as the chair is more focused all the way from classical period till today. Baseline shows that about 51% and 30% respectively expressed that they may have the scope to visit health clinic and hospital. Their access to other local services is minimum, only 15% in education office, 10% in UP and 5% in family planning office. 83% respondents believe that getting services from different public offices is their right. More than 70% respondents got treatment from village quack, only 27% from government health centers. 97.3% pregnant mothers did not get advice from government staff. They received assistance from dai, TBA (78.3%) and trained dai, TBA (8.5%). Children of 58% households of the respondents do not get education mainly due to economic problems.

On the other hand study shows that about 60% visits health facilities at locality and 25% (lower than baseline) visited hospital. We found that improving local facilities can decrease health cost from outside. Their access to other local services is minimum but improving slowly, only 25% in education office, 40% in UP and 35% in family planning office. Total respondents believe that getting service from different public offices is their right. At present more than 60% respondents got treatment from village quack, only 40% from government health centers (some of them goes simultaneously govt. facilities and village doctors). From baseline children of 58% households of the respondents do not get education mainly due to economic problems. But HAOR intervention convinced them about the necessity of education and also provided information about scholarship for female children that may increase number of enrolment and decrease dropout in the near future.

During baseline found that over 84% respondents are involved with local organization mainly as group members of NGOs mostly for receiving micro credit. But there was no visible function for shalish or any development activities. HAOR insist women to extend their comfort zone by participating in family level decision making like poultry and cattle rearing, agricultural issues, stopping child marriage, abolishing of dowry custom, visit relative house, participation in local arbitration (salish) etc.

According to the study respondents, their major rights as human being are to live with dignity and honor (60%) right to vote (60%) get education (40%) to work (40%) and health (50%). On the other hand, as women, they have some rights within the family and society which is, maternity (60%), Involve in IGA (60%), expressing views (50%), to save (40%), to take decision (10%), participate in planning (10%) etc. They expressed that women rights may be established through getting knowledge (70%) and increasing of awareness (80%). However, very few respondents do not have any idea about gender equity.

As a part of study, in addition to structured interview, open discussion with group leaders, focus group discussion with students and UP standing committee members and, discussion with civil society and community leaders were conducted. During the discussion sessions issues like gender equity, human rights, local government (UP and UP standing committee), social environment, local conflict and arbitration, access to social services and services providing organizations were discussed. Finding of the issues from the discussion sessions are generally common. Regarding gender equity the participants expressed that men and women have equal rights but mostly it is not practiced. According to the participants, to improve gender equity women participation in the society needs to be increased, women should be respected by men and, opportunities should be created for establishing rights of woman. The participants identified rights to speech and opinion, free movement, social participation, express of opinion, rights to education and health rights to vote as human rights.

It was realized from study that, success can be ensured faster by ascertaining the involvement of males rather than isolating the females by blaming the males. This has again been evident from in –depth interviews that the activities of the HAOR project would be more meaningful if males could be made more involved. The males have also admitted that they would render cooperation if they are included. Since the involvement

of males in project activities such as meeting, procession, group discussion, etc. would bring-forth better results, ensuring their increasing participation would make the lives of their female counterparts easier and happier.

According to the community forum participants UP is formed by chairman and members who are elected by local people. They identified the activities of Union Parishad which are local development, public service, building road, and service for poor, protect law and order, and eradicate smuggling, birth-death registration, tree plantation and giving VGD / allowance to poor. The participants do have partial idea about the standing committees under UP. The participants identified women harassment, early marriage, dowry, divorce, lack of unity lack of proper Judgment, dishonest local elected representative, lack of women participation and limited mobility, violation of women rights, gambling, smuggling, social conflict etc. are the social problems. The participants recommended that to improve the social environment, increase awareness of people, jointly addressing the social problem by the community and organization social gathering in various social functions etc. are to be given priority.

According to the respondents major issues of conflict are land, power structure of community leaders and multi-marriage. Local Matobbers and UP Chairman/members take initiative to mitigate conflicts. Most of the participants stated that arbitration is done by local elite, rich people and UP chairman/members though sometimes people do not get proper justice. The respondents expressed that health worker and agriculture officer visit them after months interval. They told that their children have access to school. They are not getting proper service from government department but they have better access in NGO. They Identified major problems in the community like quarrel, pollution of environment, scarcity of water & sanitation system, insecurity of women, health service, illiteracy, robbery/ theft, improper selection of beneficiary for VGD/VGF and agriculture related problems. They suggested address the problems in the following manner solve at local level, involve local elite, jointly address the problem and raise awareness of community people.

All findings, achievement and failure indicate that formulation of social capital is necessary to achieve HAOR goal and objectives.

### **Recommendations:**

Against the backdrop of the fact that the conventional concept of development is dependent on micro-credit, it is really difficult to organize the rural poor women without any micro-credit facility or immediate monetary benefit. The way assembling organizing of rural people, particularly rural women is tied up with micro –credit programs, it is undoubtedly praise-worthy that the HAOR project has successfully convened and organized them without these benefits. Central ideas and philosophy of the project is clear to management. At this point after learning from this phase if the project can be nurtured properly with creative input and professional support here is for the ..... every possibility to be a role model exploring social capital and development understanding from grassroots.

Although micro-credit dependent development has supplied cash money to the rural poor women the control over that money is not in their own-hands rather it is in the hands of their husband. Since the women can access the flow of micro-credit relatively easily, most of them are being exploited to hand the money over to their husbands either forcibly or following the convention. A good number of them become members of 3-4 micro-credit organizations. In such cases, for example, they might have taken the 1<sup>st</sup> loan from an organization and handed over to their husbands, have taken the 2<sup>nd</sup> loan and invested in small businesses and have started utilizing the 3<sup>rd</sup> loan to pay back the installments of the first two loans.. Following this path debit/credit has already forced some people to be evicted from their ancestral homesteads and to migrate. Under such circumstances or social reality, a project like this has assembled the rural poor women, attempted for their social and economic empowerment, succeeded in reducing discrimination, strengthened the local governance etc. Yet for proper implementation of the project and the expected results, it is important to shed some lights on the following:

- As development Understanding is not clear to many of so called development initiatives in Bangladesh and low paid field level workers themselves are marginalized many ways it is crucial that the field –level workers should have a clear idea about development when they are also from the same communities, the ins and outs of the HAOR project in particular. It is appreciable that IED invested deep attention for necessary orientation and training already needs to be increased by topic and frequency. A special workshop involving ED of IED, MJF representative, PC, PM and UP facilitator is recommended for sharing different school of development and analyzing HOAR project achievement and failure to achieve more in future.
- Any joint initiative of men and women is appreciated in case of development. For a project, success can be ensured faster by ascertaining the involvement of males rather than isolating the females by blaming the males. This has again been Evident from in-depth interviews that the activities of the HAROR project would be more meaningful if males could be made more involved. The males have also admitted that they would render cooperation if they are included. Since the involvement of males in project activities such as meeting, procession, group discussion, etc. would bring forth better results ensuring their increasing participation would make the lives of their female counter parts easier and happier. Example: Traditionally it was believed that men had little or no genuine interests in health issues, especially reproductive health and family planning. Perhaps as a result of this belief, many health services and programs have not been perceived as “male friendly”. The misconceptions regarding male involvement in health needs to be changed. Men are partners in reproduction; therefore they must play a significant role in family planning programs. If HAOR can set objectives like increasing the knowledge of reproductive health needs among men; Increasing the use of reproductive health and family planning services among men; creating an enabling environment in the facilities and communities that supports men’s access to services; and Encouraging men’s support and engagement in maternal health. This example may be an alternative way to involve male that finally can dissolve lot of problem around male and female

relationship and health. Empowerment, health and poverty are closely related that's why recommended to take action like this in a participatory way.

- It is necessary that the modules of training and orientation needs to be more specific in line with learning and unlearning needs considering number of ill motivation by the name development work around. Philosophy of HAOR lasting of project is much more familiar with social capital driven development whereas there are lot of other initiative around just reverse those can be treated as ill motivation that's required special training modules and training.
- Needs More training to extend “comfort Zone” from project personnel to community people. The comfort zone is a behavioral state within which a person operates in an anxiety –neutral condition, using a limited set of behaviors to deliver a steady level of performance usually without a sense of risk. IN development sector extending comfort zone is very much expected to employ human potentials. It has been notice during MTE that motivation for sustainable change is not that strong at community level. May be it's a tradition became a truth in Bangladesh that we don't believe in our potentials that we have already. The donor or development partners are implementing projects with some fixed mind setup for 3 years of 5 years with fixed amount of money that they have in their budget. On the other hand, many NGOs are receiving money without flexibility and considering necessities around grassroots level. Community people are seasoned with so called evaluation process where external peoples intervenes project areas to know about progress from different level involving communities. Performance of development or show down of activities by the community instructed by NGOs creates new relationship with NGO and communities where NNGOs have every possibility to be threatened by communities rather than strengthen if not done properly. Maybe this kind of fake developmental situation has been treated as comfort zone for community people and field workers as well. IED already noticed and agreed to extend comfort zone for sustainable development at their project area by implementing HOAR. Therapeutic training study visits and self evaluation can help to do so.

**Example of Extending Comfort zone: Coping cycle**

When people are subjected to change this has a significant impact on their self-esteem. Linked to this impact on self-esteem will be and impact on performance and that rebuilding self-esteem is essential to rebuilding performance after major change has taken place. It's like disturbing the steady state and thus causing change to occur and needs to be included coping mechanism with the same.

Stage1: denial –when significant changes are first mooted the initial response may be to deny the need for change. People suddenly find that the current comfort zone is really just what they are happy with and change invokes fear and anxiety. A sudden increase in anxiety may well push people towards the danger zone and this instead of enhancing the performance, may well have a detrimental effect. Please note that the

initial response does not always cause an immediate decline in performance but it does generate resistance. However, eventually performance does decline well below previous levels.

**Stage 2:** defense people in this stage demonstrate defensive behaviors and try to force the new reality into the old model that has allowed them to continue to perform in the current comfort zone. But, defensive behavior channels effort and energy into resisting change and not into performance and so there is often a severe decline in performance. Note that ritualistic behavior emerges as people try to defend the old ways and postulates that such behaviors have the effect of allowing the person space in which to come to terms with change. Part of these rituals may be a demonstrable willingness to attempt the new but with the objective of 'proving that new won't work or is simply wrong. There are lots of examples available from development field and community perceptions that demonstrate the same.

**Stage 3:** discarding – Stages 1 and 2 are focused on the past but in Stage 3' people discard and abandon the old ways of doing things and either commit to new work methods or invent new ways of action. A fatalistic attitude often accompanies this discarding- if things have got to change we suppose we'd better go along with it' Behaviors emerge that suggest that people are able to undertake the new actions but that considerable unwillingness exists and that they want group support . This suggests a lack of confidence. Discarding the old ways and committing to the new' their self-esteem returns and with it a renewed performance that results in a definite positive.

**Stage 4:** adaptation-as people adapt to the new realities of their situation, they spend significant levels of energy on finding ways of making things work. They are attuning and aligning themselves with what they have to do. This boosts self-esteem and, performance starts to recover at a significant rate. This stage produces acceleration in performance and people are willing and able to do what is being asked.

**Stage 5:** internalization- it is how the people involved have adopted and adapted the new working methods and made them their own- they have internalized the new procedures. But this very process, which has resulted in high levels of anxiety, is now running out of steam ' and the growth in performance is decelerating as the people involved settle towards a new and sustainable level of performance: a new comfort zone , performance of a lifetime .

**It may be noted that:** coping cycle is a valuable approach to understanding how people deal with change but change is an ongoing event and every time a modification of behavior or performance is recommended, then a new change process starts and a new coping cycle begins.

5. It is crucial that the initiative for evolution of women leadership and setting –up of self-reliant women organizations through the HAOR project is sustained . for making self-reliant society for women in the light of the far –reaching thoughts, it

- will be very effective for the marginalized women-folk if the glorious history of evolution of women leadership/empowerment and women's success stories in reducing discrimination and poverty reduction can be clearly and meaning fully highlighted. Kind of low priced publication with pictorial support can be distributed among group members on women leaders and their success story.
6. For the sake of sharing experiences, women from one area under the project should be allowed to visit other areas more frequently and strategically. In doing so, the benefited women of the HAOR project would also be able to establish an effective network among them.
  7. It is important that the assembled / organized women of the project area develop increased communications with other NGOs, local government bodies, and social and cultural groups.
  8. Local level GO-NGO-UP & GO-NGO-Upazila development Coordination should be facilitated more effectively so that a mutual cooperation is established and thereby poor people get improved service from the local service providing institutions. It was found during MTE that some other initiative is supporting Union parishad financially or non –financially where HAOR project staff may feel marginal in some cases if mutual cooperation doesn't happen. Considering practical reality high quality training on social capital driven development for UP level GO-NGO –UP needs to be organized where HOAR will be rote player to deep all other development work more transparent.
  9. People organizations should be more action oriented so that the poor and marginalized people can possess public & common resources like-khas land/ water body, etc.as they entitled for . Traditionally, UP chairman and others members are so powerful to hold all these resources or powerful peoples are elected by traditional voting system. During MTE we found that some UP repetitive are supportive to HOAR project at this moment but recommended to keep more empathetic motivation and strategic actions when issues will be discussed or really public and common resources will be shifted among poor people.
  10. Using ICT needs to be encouraged these days when mobile accesses minimizing geographical distance. A hotline (single mobile number) for HAOR project can be set to build organized sisterhood and meaningful network among all project personnel including grassroots. It is highly recommended to orient marginalized female that how mobile technology can give them relief from loneliness and encourage togetherness to built solidarity for reducing financial and psychological poverty.

**Reference:**

- Project documents, HAOR Project implemented by IED and MJF, Funded by DFID.
- Baseline Survey, HAOR Project
- Project proposal developed by IED

Abbreviation and Explanations

UP - Union parishad

NGO - Non-Government Organization



- HAOR - harmonize the Actions against inequalities and Oppressions of Rights
- IED - Institute for Environment and Development
- FGD - Focus Group Discussion
- TBA - Traditional Birth Attendant

# **Influential Factors of Consumer Preferences in Choosing Franchise Food Outlets in Bangladesh.**

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***Abstract:** Franchising is a familiar form of business in Bangladesh at the present time. Today established franchise brands operate in different lines of business in Bangladesh. Very few of them are successful and well recognized to the consumers because of their quality and performance. This study reveals some factors which influence the preference of consumers to analyze the performance of franchise organizations in Bangladesh. The results indicated that there is a positive relationship between those factors and preference of consumers in choosing franchise organization. The findings of this study suggest that product and service quality along with proper branding are the key factors. Moreover pricing, hygiene factors and location advantage of the franchise food outlets play vital role in consumer preference. It is also found from this study that the franchise organizations should take more promotional efforts to enhance their demand.*

***Key Words:** Franchising, Consumer preference, Influential factors.*

## **1. Introduction:**

Franchising is the agreement between two independent business owners to operate business. By imposing some rules and regulations here one party (franchiser) gives the legal consent to another party (franchisee) to operate business. Now a day's franchising business is very popular among the consumers as well as business person. Doing franchising business is not similar to do other business like-retailing, wholesaling etc. Franchising is specially selling the distribution system to the independent business owner. According to Hoffman and Preble (1993), franchising is the form of 'business cloning' where franchisers want franchisees to offset their business in other location based on the business strategy, including product and service, trade name and methods of operations.

Now day's competitions are increasing regionally and globally. So many companies try to involve themselves in franchising business to diversify their operation. In franchising business format, there is a contractual connection between franchiser and franchisee both of which are legally independent business. This business format provides the franchisees the right to do business under franchiser's name. The franchisee can use the product or service along with the franchisor's specifying format to bring up the laws and regulations relating to the daily operation of business. In other words, royalties as initial payment to the franchiser is made by the franchisees (Stan worth and Purdy, 2006).

Although standardization is expected from the franchisee outlets, some outlets are not able to follow the same standards for products or services in the franchise system (Baucus et al., 1996). This is possibly due to increased demand for personalization of products and services which cause the concept of uniformity and standardization in franchise system consequently being challenge.(Rahman and Pun)

Franchise business in our country was not so focused during last decades .But during the last 12 years lots of owner started franchise business due to excess competition and to expand their business. That is why; local companies need to rethink about the new competition. They should boost up their effort to compete with the global companies. Therefore, evaluating the business is the key to find out the effective factors those affect the customers. This study determines consumers' responsiveness toward franchise business in Bangladesh.

## **2. Literature Review:**

To understand the preference of consumers toward franchise business, consumers buying decision is the central point of the franchises. Consumer behavior is ever changing. The reasons of buying are more important rather what a customer buy. For the purpose of this research, authors want to know how do consumers' choice responses to various marketing efforts used by the franchisees and which factors are changed into responses as liking and disappointment. Therefore, this research represents an important issue of study that what factors originate the differences in consumer's attitudes and how they shape consumer's experience toward franchisee food outlets.

Miranda, M., Konya, L. & Havira, I. (2005) held that sometimes franchisees do not identify the factors, influences customer satisfaction. These factors are not same as what stimulate store loyalty and therefore the franchisees do not allocate scarce resources systematically among strategy manipulate one or the other. Special attention must be given in changing consumer behavior patterns unless it could shield their loyal customers from responding to competitors' special offers. Carpenter, J.M., Moore, M. & Fairhurst, A.E. (2005) in their study "Consumer shopping value for retail brands" proves that there exist major differences in consumer perceptions of hedonic shopping value across several retail brands. Therefore, customers are familiar with the exclusivity among the in-store experience which involves tough effort of retailers. This delivery of value, then, seems to be a successful foundation of differentiation. The results of this study indicate that retailers using a 'store as the brand' strategy should continue to invest in creating a specific, unique shopping experience for their target customer. Retailers, however, should always be mindful that regardless of the excitement and fun delivered in the shopping experience, consumers appear to expect utility including the right merchandise, in the right place, at the right time and at the right price.

According to Bradach(1998),in franchise business, to maintain standardization, all units in a chain should include visual marketing as well as physical design of the division, the menu, the production process and the production quality. Michael (2000) conducted a study on franchising business. Here the researcher wanted to find the effect of organizational form on quality. Here he said that in franchise business they not only maintain the quality of the product but also the franchising instructions to deliver standardized products. According to Stan Worth and Curran, to accomplish the franchise system, it is important to give a standardized product across all locations along the franchise outlets. Kaufmann and Eroglu (1998), Sorenson and Sorensen (2001) claimed that there is variation from standardization in franchise chain due to local adaptation. Other than that, franchisees also become gradually more knowledgeable about the

specific local markets that they serve and build up an expertise in helping and acting in response to the requirements of the local customers (Cox & Mason, 2007). According to Falbe and Dandridge, (1992), system standardization and consistency are very important to attract and retain customers.

The meaning of quality is not just as product quality in fast food chain. Stanworth and Curran said to put across a standardized product, franchiser's operating instructions are vital also. To give a standardized service across all locations is important for the success of the franchise system. Shane (1996) opined, in fast food chain restaurants, maintaining the product quality is the basic principle of franchising. They need to keep up same standardized service and products throughout the network.

Besides maintaining the quality of products, franchise businesses try to create unique brand image. That's why in the franchise chain, all units use a common trademark. Products will also be similar in all food franchise outlet, where location is less important factor. (Caves Murphy, 1976). Bradach (1997) added that by providing and delivering the same high quality of service in all location, franchisee of the franchise chain can create and maintain a super brand reputation. According to Treynor (1999) and Aaker (2003), franchisees use the brand to explore their own feeling for the value of that brand to the consumers. Consumers will pay high price for the preferred brand because of first rated awareness. It creates loyalty and willingness to a particular brand. Rubin, P.H. (1978) opined that potential franchisees are willing to pay to use the brand because overall perception of brand value is determined by the factors related to the functioning of the franchise. Investors considered three key facets of perceptual equity in a franchise: managerial experience and training, level of capital provision and business support mechanism. Kapferer (1998) found that most franchise systems emphasis on their "corporate" brand to represent the benefits of their products and services. According to Aaker, (2003), perceptual equity is greater for the potential franchisee. It is important for the potential franchisee to develop an impression of high perceptual equity toward their brand. The assurance of brand, in terms of meaning to the consumers and significance in the industry while people purchase or use the product and service must be provided by the franchisee.

Salmi, L. & Holmström, J. (2004) said that in order to competently deal out production capacity and procure materials, franchisors of food products require spotting the market condition and ending customer demand. According to Ziamou, P. & Veryzer, R.W. (2005) in buying new products, physical factors such as time and place also affect the consumer decisions process. Besides, "To evaluate franchisees the perceived use value of technology-based products persuades consumers.

Bauer, H.H., Hammerschmidt, M. & Staat, M. (2004) mentioned that the efficiency value derived can be understood as the return on the franchisees investment. Franchisee stores offering a maximum customer value relative to all other alternatives in the market are distinguished as efficient. Steenkamp Jan-Benedict, E.M. & Gielens, K. (2003) in their article "Consumers and market drivers of trial probability of new consumer packaged goods" opined that the effects of the franchising decisions of foreign firms are

systematically moderated by elements of the marketing strategy associated with the innovative retailing and customer relationship competencies of franchisee firms.

Therefore, it is reviewed that the researches done previously on franchise business are exploratory in nature. But this study applies the variables derived from the literature to describe the market scenario in Bangladesh. The researchers in this study have considered 4Ps (product, price, place, promotion). To measure customers responsiveness the researchers also consider other variables 'service', 'Hygiene factor', 'Brand image', 'Interior' etc. which have positive effect to influence the consumers in choosing franchise organizations in Bangladesh.

### **3. Objectives of the study:**

The objective of this study is to explore the influential factors of consumer preference in choosing franchisee Food Outlets in Bangladesh.

Specific objectives are:

To identify the extrinsic factors those influences the perception of people towards the franchise organizations.

To categorize the cues those have more influence on consumers in evaluating the perceived quality of a franchisee food outlets.

To which extent the factors influence the consumer's choice to prefer the franchisee food outlet.

To develop the consumer's preference model toward franchisee food outlets in Bangladesh.

#### **3.1 Statement of the Problem**

The problem of this study is to determine the influential factors in consumer preference of choosing franchisee food outlets in Bangladesh

#### **3.2 Research Goals**

The research question used by the researcher helps to guide the creation of this study.

RQ: What are the influential factors that contribute to the preference of consumers in choosing franchise Food Outlets in Bangladesh?

To test the research questions, following null and alternative hypothesis are designed.

#### **Hypothesis 1:**

Ho: There is no significant association between the influential factors and consumer preference in choosing franchise Food outlets in Bangladesh.

Ha: There is significant association between the influential factors and consumer preference in choosing franchise Food outlets in Bangladesh.

### **4. Research Methodology**

The research is descriptive in nature. Data and information required for this study were collected from both primary and secondary sources. To collect primary data a structured

questionnaire was designed on the basis of the objectives of the study. Secondary data were collected from company website, reports, electronic database and journals to develop theoretical background for the study. The variables covered in the study are product, price, place and promotion and service. In this study the target population is the people who have chosen the franchisee food outlets. A total number of 7 different outlets of Pizza Hut, KFC and Nando’s were chosen as sampling frame and sample of 100 respondents were selected randomly. A total number of 150 structured questionnaires were delivered of which 100 respondents provided feedback. Random sampling (survey method) technique has been used to collect data. A structured questionnaire was developed by using nine-point likert scales ranging from strongly disagree to strongly agree. The questionnaire consists of 12 statements that are able to explore the preference of consumers in choosing franchise organizations accurately.

Data entry was done in SPSS 16.0 data editor and analyzed under some specific hypothesis. Statistical tools like frequency, crosstab and regression were used to assess data. To interpret the data cross tabulation were used in the first phase. To test the hypotheses, multiple regression is used as a statistical tool at 0.05 significance level.

### 5. Analysis of the study:

The study has tried to find out the consumers preference toward the franchise organizations in our country. From the cross tab combining the number of visit weekly and the preference in Table 5.1, it is apparent that for every type of visitors the preference is seemed to be positive. For the infrequent visitors (Once), frequent visitors (Twice or Thrice), and regular visitors (More than that), 78% claimed to have good and very good image toward these franchises. The proportion of visitors having extremely good image, though negligible, lies for the case of frequent and regular visitors.

**Table- 5.1 Cross Tabulation between Number of visit\*preference of consumers.**

		Preference of consumers					Total
		Neutral	Somewhat good	Good	Very good	Extremely good	
visit	Once	2	4	21	15	0	42
	Twice or Thrice	4	3	17	12	2	38
	More than that	1	4	9	4	2	20
Total		7	11	47	31	4	100

Source: SPSS Output

From the following bar diagram combining the duration of visit and the preference in **Figure 5.1**, it is apparent that for every type of customer the preference is seemed to be positive. For the customers, who are visiting from last three months, last 6 months, last one year, last 2 years and more than that, 70% claimed to have good and very good image. The percentage of customers having extremely good image are 25%. Among them, most of the customers are lying in the category of last 2 years and more than that.

**Figure- 5.1 Relationship between Duration of visit and Performance of Food outlets.**

**Table 5.2: Relationship between the influential factors and preference of consumers toward franchise organizations.**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.868(a)	.754	.738	.270

a Predictors: (Constant), Location, Brand, Service\_Q, Price, Hygiene, Product\_Q, Interior, Advertisement, Sales\_promo

b Dependent Variable: level\_pref

The study uses variables influencing the consumer’s preference. Location, brand image, service quality, price hygiene factor, product quality, interior advertisement and sales promotion are taken as consumer’s preference factors. The results show that these factors are highly significant as they are affecting the preference of consumers toward franchise organizations of Bangladesh. These four factors together explain 75% of the total variation of the model. More addition of independent variables will have less impact on adjusted R square which is explained by 73.8%. The multiple coefficient of correlation (R=0.868) indicates that variables chosen are highly correlated and this give the model a good fit. [Table 5.3]

**Table 5.3 Coefficients of dependent and independent variables**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.893	.361		-2.472	.015
	Product Quality	.202	.045	.230	4.509	.000
	Service Quality	.131	.042	.156	3.140	.002
	Price	.158	.046	.165	3.451	.001
	Brand	.139	.045	.162	3.114	.002
	Hygiene factor	.174	.043	.199	4.016	.000
	Interior	.137	.041	.169	3.323	.001
	Advertisement	.082	.045	.094	1.832	.069
	Sales promotion	.049	.045	.057	1.088	.278
	Location	.123	.042	.147	2.896	.004

Source: SPSS Output

a Dependent Variable: level of preference

From the table we can see that the significance level of product quality (0.000), service quality (0.002), price (0.001), Brand image (0.002), Hygiene factor (0.000), Interior (0.001), Location (0.004) are below 0.05, which indicates that these variables have

significant relationships with the choice of the consumers toward the mentioned franchise organizations. On the other hand, advertisement and sales promotion have significance level value more than 0.05, which indicates that these variables have no significant relationship with consumer's choice. So we can present our desired model to identify the influential factors in choosing franchise Food outlets:

$$\text{So Service Performance} = -0.893 + .202(\text{Product quality}) + .131(\text{Service quality}) + .151(\text{Price}) + .1399(\text{Brand}) + .174(\text{Hygiene}) + .137(\text{Interior}) + .123(\text{Location}).$$

Thus, it can be said that product quality, service quality, price, brand image, hygiene factor, interior and location have significant impact on the preference of consumers toward the franchise organizations in Bangladesh. On the other hand, advertisement and sales promotion don't have significant impact on the preference of consumers.

## 6. Findings

Out of total number of 9 variables studied, 7 factors seem to be associated with the preference of consumers. For the considered hypotheses, the null hypothesis is rejected. Therefore, these variables have significant association with the preference of consumers in choosing franchise organization. As the significance level of advertisement and sales promotion are above the significance level (5%), it is found that the preference of consumers toward the franchise organizations is not influenced by their promotional effort. This analysis indicates that the inclination of the consumer toward the franchise organizations depends on product quality, service quality, price, Brand image, Hygiene factor, Interior and Location.

## 7. Conclusion and Limitations:

This study concludes that the qualities of product and brand loyalty are significantly and positively effective on the preference of consumers in choosing franchisee Food outlets. In this study sales promotion status does not result in choosing franchise organizations. Brand loyalty and perceived quality, therefore, have positive and significant effects. In this work, we found the product quality is the most effective factor on purchase decision. In addition, among others, price, brand loyalty and service have the highest effect on the preference of consumers in choosing franchise organizations. Among Marketing-Mix factors, promotion has the less positive effect on consumer preference.

**Limitations:** Some limitations of this study are found. This study only focused on influential factors, which persuade the viewers to choose a particular franchise food outlets. The preference of different segments (such as male and female; young and old) are not found through the data, collected for this study. Because of time constrain our sample size is smaller for any descriptive research. More samples would have been produce better result.

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# Factors Affecting The Students' Perception On Quality Education

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***Abstract:** Ensuring quality in education is a continuous process. But knowing the pivotal factors of quality education can provide a guideline to the education providers to meet this standard. With this aim, this research is undertaken to unveil the factors that contribute to education quality. To do so, 245 undergraduate business students are selected from four renowned public and private universities in Bangladesh to collect their opinion. Study reveals that Qualified Faculties play major role to ensure the quality education. Organization & Management's effort, Development of Personal skills, Learning Resources, Academic Support are also the important factors for the quality education. Teaching Quality is the most significant factor to ensure the quality education followed by Personal Development, Organizational and Management Approach, Learning Resources, Academic Support. It is also discovered that, students do not consider Assessment and Feedback mechanism is a parameter to judge the education standard of a university.*

## 1.0 Introduction

Quality education defines as ensuring the standard of all aspect of education. In the higher education, it is affected by many issues like- teaching methods, logistic support, self-development of the students. Based on the higher education philosophy, vision and mission, it is clear that the faculties are consistently positive towards ensuring the quality education and appeared to be very dynamic in the quality approach and its technique. According to Berry & Parasuraman (1992), the strategic success of a service organization depends on the ability of service providers to enhance their images by consistently meeting or exceeding customers' service expectation. These components must be measured regularly to respond to the changes of the environments where the expectation of the stakeholder is becoming higher. The outcomes of the measurement are very useful for the faculties, administrators as well as the academic staffs to provide plans and solutions for the continuous improvement.

It is vital to consistently measure the performance of service quality from student perspective because they are directly involved in the education process. They act as a consumer or customer and also as a product of the education institution. Students' views on all aspects of their higher education experiences are essential to monitor the quality of education. The data and information gained will help the service provider and the stakeholder to make judgments about level of quality in particular universities (Hill, Lomas, & MacGregor, 2003). The development of the dimensions in service quality is expanding because the nature of the higher learning institution itself is dynamic and

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unique. One of the methods to construct the dimension of quality in education is the dimensions of product, software and general services. Apart from that the modification for adaptation must be made to tailor it to the education line. Furthermore, the construct or the dimension of quality conceptualized in the service literature focus on perceived quality. Conceptually, perceived quality is defined as the consumer's judgment about an overall entity of excellence or superiority (Zeithaml, 1987). It is a form of overall evaluation. Gordon & Partigon (1993) characterize that education quality is the success with which an institution provides educational environments which enable students effectively to achieve worthwhile learning goals including appropriate academic standards.

Meeting the education standards is not an easy to go matter rather it requires closer look into this issue. Defining and ensuring quality education is always critical and subjective in nature. Thus continuous research and evaluation are necessary to improve the education quality. This research aims to discover the important issues involve in quality education which could be the useful guideline for the education providers in many country like Bangladesh.

### **1.1 Objective of the study**

This study is conducted to find out the significant factors affecting the education quality from the student perspective. Therefore, we will be able to generalize these factors on the education institutions and also to recommend which area(s) that needs to improve.

### **1.2 Significance of the study**

Our study will contribute to further exploratory or descriptive research in this area. Though our research is solely based on the student's perspective, academic experts will be able to find out the students demand about the quality education. Experts can make a breeze between the students demand and their offerings. The outcome of this study is also useful for the management and the faculty to continuously improve the service quality of education.

## **2.0 Literature Review**

This chapter discusses the literature on the quality management background, definition of quality, the dimensions and the approach in measuring quality and the factors that influence the evaluation of service quality in education. It is vital to review all the relevant literatures in order to understand the whole concept of quality education, its tools and application in various sectors. It explores a strong basis for the development of the research framework and instrument.

### **2.1 Definition of quality**

The study of students' perception regarding quality education has drawn much attention in the previous researches. Quality is a perceptual, conditional and somewhat subjective attribute and may be understood differently by different people (Motala, 2000). Quality can be defined in many ways. It can be seen and can be measured. A number of researchers have worked on this "quality" term and have given various definitions on

quality in particular areas, i.e, manufacturing of products and services. Garvin (1984) has classified the definition of quality into five major groups. Those are transcendent, product-based, user-based, manufacturing-based, or value-based. Others define quality as fitness for use (Juran & Gryna, 1988), conformance to requirement (Crosby, 1979), conformance to specification (Gilmore, 1974), meeting and/or exceeding customers' expectation (Parasuraman, Zeithaml, & Berry, 1985), performance over expectation (Besterfield, 1999), zero defect (Crosby, 1979), products' or services' ability to perform to its intended function without harmful effect (Taguchi, 1986).

Although there is no universally accepted definition of quality and seems to be no consensus definition even though most of these definitions are correlated, but there have similarity and common elements on its definition. According to Geotsch & Davis (2003), with these common elements extracted, quality can be defined as a dynamic state associated with products, services, people, processes, and environments that meets or exceeds customer expectation.

In the area of education, Cheng (1995) defines education quality is the character of the set of elements in the input, process, and output of the education system that provides services that completely satisfy both internal and external strategic constituencies by meeting their explicit and implicit expectations. In addition, Harvey & Green (1993) propose five ways of thinking about quality in education. *First*, quality is regarded in term of excellence. *Second*, quality is perfection or consistency. *Third*, quality is fitness for purpose. *Forth*, quality is value for money and *finally*, quality is transformation processes that have value-added activities.

This definition also takes into account the global and international influences that drive the discussion of educational quality (Motala, 2000), while ensuring that national and local educational contexts contribute to definitions of quality in varying countries (Adams, 1993). Establishing a contextualized understanding of quality includes relevant stakeholders. Key stakeholders often hold different views and meanings of educational quality (Motala, 2000; Benoliel, O'Gara, & Miske, 1999).

## **2.2 The Meaning of Education Quality**

The precise meaning of education quality and the path to improvement of quality are often left unexplained. It can be defined as the inputs (numbers of teachers, amount of teacher training, number of textbooks), processes (amount of direct instructional time, extent of active learning), outputs (test scores, graduation rates), and outcomes (performance in subsequent employment). Additionally, quality education may imply simply the attaining of specified targets and objectives. More comprehensive views are also found, and interpretation of quality may be based on an institution's or program's reputation, the extent to which learning has influenced change in student knowledge, attitudes, values, and behavior, or a complete theory or ideology of acquisition and application of learning (Adams, 1998).

In Lamanga's (2006) report on quality assurance in tertiary education in the case of Bangladesh, he recommends several initiatives that can ultimately ensure a quality education system for the higher learning institutions in the country. Aminuzzaman (2007)

opines that most of the departments of universities do not have a long-term national vision, but that such a vision is crucial to quality education.

According to Aminuzzaman (2007), quality education in universities will be achieved through changing the method of teaching and learning as well as assessment methods, renewing the curriculum continually, updating and upgrading professional knowledge and skills and improving the broader educational, administrative and resource environments. Actually, the student-lecturer interface is important in determining quality, and it is appropriate to seek to monitor this quality through appropriate quality assurance processes. Though this is a superficial approach, the real challenge is the enhancement of quality. Different institutions have started to investigate approaches to quality enhancement (Rowley & Nielsen, 1996). For instance, Hart & Shoolbred (1993) cite, Wolverhampton University is seeking registration under BS 5750 and a number of other universities are taking the TQM path, including Aston, South Bank, Robert Gordons and Wolverhampton. A paper by the further Education Unit (1991) offers six criteria for a quality model: (1) it seeks to improve the quality of teaching and learning strategies, (2) it is flexible, (3) it harnesses the commitment of all staff, (4) the learner should be involved, (5) there must be enhanced working relationships associated with all functions of the organization, and (6) requirements can be measured and progress can be demonstrated.

### **2.3 Teacher Feedback Mechanism**

Assessment and feedback play a pivotal role in the process of education. In higher education assessments have increased importance as they are of interest not only to students and teachers but also to future employers and all stake holders in the process of education. Assessment practices have therefore been studied very closely. Ramsden (2000) remarks that the assessment of students is a serious and often tragic enterprise sums up the importance placed on assessments. Assessments have to be considered by both educators and students as a vital part of the process of education not as an appendage which is painstaking and laborious. Biggs (2000) points out the need to change the erroneous perception of assignments as a necessary evil, the bad news of teaching and learning, to be conducted at the end of all the good stuff. Assessments should not be viewed as a system that allows teachers to define, select, classify, motivate and report on students (Ramsden, 2000). This is explained as the backwash effect when the assessment determines student learning, rather than the official curriculum (Biggs, 2000).

Good teachers are skilled not only in instructional methods, but also in feedback and assessment practices which includes marking criteria, comments, marking intension that will allow them to gauge individual student learning and adapt activities according to student needs (Carron & Chau, 1996). This process should also include both performance assessment and assessment of factual knowledge. Many teachers and educational systems continue to rely almost exclusively on traditional paper-and-pencil tests of factual knowledge that tend to promote rote memorization rather than higher order thinking skills (Colby, 2000). The study of Dunn, Burbine, Bowers, & Tantleff-Dunn (2004) reveals that to avoid this problem teachers should focus more on feedback style which will ensure the effectiveness of the overall feedback system.

## **2.4 Teaching Style**

While many people have argued that style is important in teaching, identifying the elements of our styles as teachers has proved to be difficult. One reason is that traditionally the concept of style has been viewed in a critical manner. It has been confused with affection, denigrated as a kind of posturing to mask a lack of substance or tolerated as a natural manifestation of personal eccentricities (Eble, 1980). Thus to define teaching style, it entails moving beyond the negative sense in which it is sometimes perceived.

Daniel (2004) thinks that teaching style refers to the teaching strategies and methods employed and use of certain kinds of rhetoric. But often, the literature only focuses on one of these dimensions. The term itself has no agreed definition but the more widely accepted definitions refer to it as a set of teaching tactics (Galton, Simon, & Croll, 1980).

Understanding the teaching style would be enhanced if we had a list of elements of style that we can use as a basis for examining the impact of teaching style on the students' perception regarding education quality. There is however, no clear consensus about the common components of style. Therefore, Teaching style should include general modes of classroom behavior, qualification of the teacher, teaching methods, personality traits, enthusiasm, metaphors of teaching.

## **2.5 Personal Development**

Personal development has been at the heart of education in the West in the form of the Greek philosophers and in the East with Confucius (Craig, Richard, & Joy, 1998). Some people emphasize personal development as a part of quality education. It is found that there is one thing more than another which absolutely requires free activity on the part of the individual, it is precisely education, whose object it is to develop the individual.

During the 1960s a large increase in the number of students on American campuses led to research on the personal development needs of undergraduate students. Chickering & Reisser (1993) define seven vectors of personal development for young adults during their undergraduate years. These are - developing confidence, developing good communication skill, managing emotions, achieving autonomy and interdependence, developing mature interpersonal relationships, establishing identity, developing integrity.

In the UK, personal development takes a central place in university policy in 1997 when the Dearing Report declares that universities should go beyond academic teaching to provide students with personal development. Another research study of Rowley & Nielsen (1996) reveals that personal development of the students greatly depends on the development of students' communication skill, confidence, integrity and tackling unfamiliar problems.

## **2.6 Organization and Management Support**

Students vary in their relationships with the university from transactional to highly relational bonds (Garbarino & Johnson, 1999). Regarding the relationships, two factors are important for higher student satisfaction. These are bonding and empathy between the organization and management. Bonding is defined as the dimension of a relationship that results in three parties (student, management and university) acting in a unified manner toward a desired goal (Oliver, Peter, Raymond, Jenny, Leo, & Alan, 2000). Family, professors, university personnel, reference groups, and social norms may be influential on bonding to organizations (Garbarino & Johnson, 1999). In the same manner, empathy is defined as trying to understand someone's desires and goals (Oliver et al., 2000). According to these researchers, there are indicated links of reciprocity and empathy to relationship marketing which will lead to efficient timetable, effective communication for the involved parties and the outcome of the positive blender of these elements will be well organized courses and learning resources (Arnett, German, & Hunt, 2003).

## **2.7 Learning Resources**

Physical learning environments or the places, in which formal learning occurs, range from relatively modern and well-equipped buildings to open-air gathering places. The quality of school facilities seems to have an indirect effect on learning, an effect that is hard to measure. Fuller & Dellagnelo (1999) argue that present empirical evidence is inconclusive as to whether the condition of school buildings is related to higher student achievement after taking into account student's background. A study in India has found that out of 59 schools, forty nine schools have good library facilities, and of these 59, twenty five have excellent IT facilities, twenty have multimedia facilities, and maximum of them have specialized class room facilities (Carron & Chau, 1996). In this case, the quality of the education environment was strongly correlated with pupils' achievement in Hindi and mathematics (Carron & Chau, 1996). In Latin America, a study has included 5,000 graduate students and found that students whose universities lacke classroom materials and has an inadequate library are significantly more likely to show lower test scores and higher grade repetition than those whose universities are well equipped (Willms, 2000).

Higher education is by its nature a developmental environment (Rowley & Nielsen, 1996). Classroom facilities are important because they are part of the whole atmosphere of learning, which includes elements such as modern teaching aids with rich libraries as well as neat and clean space that is adequate in terms of class size, it resources and temperature environment. In Bangladesh, most of the private universities are established via rental and classroom space is alarmingly inadequate. This factor is, thus, important in evaluating the perception level of the students regarding quality education. But in case of public universities we can see the opposite scenario (Ashraf, Ibrahim, & Joarder, 2009).

## **2.8 Academic Support**

MaGuire, Jacobowitz, Weinstein, & Luekens (2006) argue that student affairs staffs are responsible for academic advising and support services delivery at colleges and

universities all over the world. The chief student affairs officer at a college or university often reports directly to the chief executive of the institution. In addition to that, student affairs professionals are charged with the daily tasks of developing programs and researching techniques that benefit all students as a whole (Dungy, Komives, & Woodward, 2003). Hamrick, Evans, & Schuh (2002) have focused on the fact that student affairs professionals incorporate the issues of diversity into their everyday tasks and work with an array of students in such areas as campus activities, counseling, resources, etc. This department, like others within the higher education system, seeks to serve the needs of the student (Bloland, 1979). Besides sufficient advice, anytime contact with the staffs' academic support also includes suggestion regarding study choice. A research study of Bronstein (2008) reveals that these academic support elements positively impacts on the students' perception regarding quality education.

### 3.0 Conceptual Model

From the above literature we have proposed a **research model** to define the factors affecting on the quality education. The resulting research model used in this paper is depicted below:



Figure 01: Conceptual model



#### 4.0 Methodology of the Study

This part explains in detail about the methodology applied in this study. It highlights the type of research, sources of data used, and survey design which include sampling plan and data analysis method applied. This part is described in order to achieve a high degree of reliability and validity.

The identification of variables is done based on adopting exploratory research methods especially secondary data analysis and literature review. Now the study is carried out by the descriptive research design. In our study, we have used primary sources to analyze the data. The instrument used is a structured questionnaire that is developed based on the literature review on the relevant topics.

Target population consists of the students (elements) of public and private universities (extent) from whom the necessary data is collected to conduct multiple regressions analysis.

Every University maintains the detail students' information on their own database. It can be also called as students' register book. This students' register book is used as the sampling frame.

According to Malhotra, Ulgado, Agarwal, & Baalbaki (1994), the maximum number of stratum that can result in a significant analysis is 6. So, we have taken 4 universities for our study as stratum. Roscoe (1975) proposes that the appropriate sample sizes for most research to be greater than 30 and less than 500. Taking into considerations these guidelines, we have decided to choose 245 undergraduate students as our sample.

Stratified random sampling with proportional allocation is adopted to carry out the survey. Four Universities - Eastwest University, Daffodil International University, Faculty of Business Studies, University of Dhaka (DU) and Faculty of Business Studies, Jahangirnagar University (JU) are treated as a stratum. Strata are considered according to the nature of university (Public & Private). Eastwest University is graded as "A" category and Daffodil International University is graded as "B" category among the private universities. On the other hand University of Dhaka and Jahangirnagar University is very renowned among the public universities. Since BBA program are very popular among these four universities to the students of Business, we have selected to gather the required information from them. The details of the strata are presented here:

**Table: 4.1 Distribution of sample according to stratum**

<b>Universities</b>	<b>Respondents</b>
Faculty of Business Studies, DU	41%
Faculty of Business Studies, JU	14%
East west University	20%
Daffodil International University	25%
<b>Total</b>	<b>100%</b>

Sampling execution is done by conducting questionnaire in face-to-face approach at the end of the class. Any query to the respondents regarding the questionnaire is clarified on the spot. Respondents are allowed to ask for further clarification if they encountered difficulties to understand the questions. We have also managed to get 100% response from the respondents.

The survey instrument is consisted of two parts. Into the both parts, respondents are asked to state their level of agreement of each of the statement on a five-point likert scale (1 represent “strongly disagree” to 5 represent “strongly agree”; 3 denotes “neutral”).

We have used Multiple Regression for our data analysis. The Purpose of Multiple Regression Analysis is to measure the relative influence of each independent variable (Teaching Style, Assessment and Feedback, Academic Support, Organization and Management, Learning Resources, Personal Development) on the dependent variable (Perception on the education quality). Thus, following model is developed to test the significance of stated relationship. **The purpose of this analysis is to measure the relative influence of each independent variable on the dependent variable. The regression model that is used is as follows:**

$$Y (\text{Quality Education}) = b_0 + b_1 x_1 + b_2 x_2 + b_3 x_3 + b_4 x_4 + b_5 x_5 + b_6 x_6 + e_i$$

Where, Y= *Quality Education*

$b_0$  = Constant

$x_1$  = Teaching Quality

$x_2$  = Assessment and Feedback

$x_3$  = Academic Support

$x_4$  = Organization and Management

$x_5$  = Learning Resources

$x_6$  = Personal Development

$e_i$  = Error term

The relative significance of each of the independent variable on the dependent variable can be measured from the associated coefficient.

## 5. 0 Findings and Analysis

We have applied stepwise multiple regression analysis to explain our findings. The purpose of this method is to select, from a large number of predictor variables, a small subset of variables that account for the most of the variation in the dependent or criterion variable.

**5.1 Excluded Variables**

**Excluded Variables<sup>f</sup>**

Model	Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
					Tolerance
1 Assessment and Feedback	.237 <sup>a</sup>	3.402	.001	.216	.537
Academic Support	.265 <sup>a</sup>	4.589	.000	.286	.750
Organizational and Management Approach	.244 <sup>a</sup>	4.536	.000	.283	.867
Learning Resources	.210 <sup>a</sup>	3.964	.000	.250	.913
Personal Development	.315 <sup>a</sup>	5.549	.000	.340	.750
2 Assessment and Feedback	.145 <sup>b</sup>	2.090	.038	.135	.496
Academic Support	.209 <sup>b</sup>	3.705	.000	.235	.718
Organizational and Management Approach	.198 <sup>b</sup>	3.798	.000	.240	.840
Learning Resources	.153 <sup>b</sup>	2.933	.004	.188	.865
3 Assessment and Feedback	.072 <sup>c</sup>	1.003	.317	.065	.448
Academic Support	.141 <sup>c</sup>	2.234	.026	.145	.567
Learning Resources	.125 <sup>c</sup>	2.435	.016	.157	.844
4 Assessment and Feedback	.063 <sup>d</sup>	.884	.377	.058	.446
Academic Support	.136 <sup>d</sup>	2.185	.030	.142	.566
5 Assessment and Feedback	.052 <sup>e</sup>	.737	.462	.048	.444

a. Predictors in the Model: (Constant), Teaching Quality

b. Predictors in the Model: (Constant), Teaching Quality, Personal Development

c. Predictors in the Model: (Constant), Teaching Quality, Personal Development, Organizational and Management Approach

d. Predictors in the Model: (Constant), Teaching Quality, Personal Development, Organizational and Management Approach, Learning Resources

e. Predictors in the Model: (Constant), Teaching Quality, Personal Development, Organizational and Management Approach, Learning Resources, Academic Support

f. Dependent Variable: Quality Education

From the above table we have found that independent variable **“Assessment and Feedback”** is excluded from the model because this variable is insignificant at 0.05 level. It implies that students do not consider Assessment and Feedback affects to the quality education. Collinearity Statistics shows that after excluding variables step by step

“Assessment and Feedback” has about 45% correlation with other variable. Therefore this variable is excluded from the model.

**5.2 Strength of Association between Independent Variables and Dependent Variable, and Residual Analysis**

Here the Predictors are: (Constant), Teaching Quality, Personal Development, Organizational and Management Approach, Learning Resources, Academic Support.

**Model Summary<sup>f</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.596 <sup>a</sup>	.356	.353	.874	
2	.656 <sup>b</sup>	.430	.425	.824	
3	.680 <sup>c</sup>	.463	.456	.801	
4	.690 <sup>d</sup>	.476	.467	.793	
5	.698 <sup>e</sup>	.487	.476	.787	2.051

a. Predictors: (Constant), Teaching Quality

b. Predictors: (Constant), Teaching Quality, Personal Development

c. Predictors: (Constant), Teaching Quality, Personal Development, Organizational and Management Approach

d. Predictors: (Constant), Teaching Quality, Personal Development, Organizational and Management Approach, Learning Resources

e. Predictors: (Constant), Teaching Quality, Personal Development, Organizational and Management Approach, Learning Resources, Academic Support

f. Dependent Variable: Quality Education

As the R<sup>2</sup> value is 0.487 which is not so closer to 1, it indicates there is moderate relationship between the dependent variable (**students’ perception on quality education**) and the independent variables (**Teaching Quality, Personal Development, Organizational and Management Approach, Learning Resources, Academic Support, Assessment and Feedback,**). It indicates that independent variables have the 48.7% ability to explain the dependent variable. Considering the model, the value of adjusted R<sup>2</sup> (0.476) is closer to the R<sup>2</sup> value and both are not so closer to 1. This suggests that adding each of the additional independent variables after the 1<sup>st</sup> independent variable, makes a significant contribution in explaining the variation in the dependent variable students’ Overall perception on the education quality.

**Residuals Statistics<sup>a</sup>**

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	.93	4.86	3.39	.758	239
Residual	-2.258	2.118	.000	.778	239
Std. Predicted Value	-3.246	1.936	.000	1.000	239
Std. Residual	-2.871	2.693	.000	.989	239

a. Dependent Variable: Quality Education

Durbin-Watson statistics (2.051) indicates that the model is linear as the value lies within  $\pm 4$ . Residual Statistics shows that the Standard deviation of the error is about 99% where mean value is 0.000. So, we can say that error is normally distributed and assumptions are met and the linear model is appropriate.

**5.3 Significance Test**

**ANOVA<sup>f</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	99.851	1	99.851	130.774	.000 <sup>a</sup>
	Residual	180.960	237	.764		
	Total	280.812	238			
2	Regression	120.736	2	60.368	89.001	.000 <sup>b</sup>
	Residual	160.075	236	.678		
	Total	280.812	238			
3	Regression	129.994	3	43.331	67.518	.000 <sup>c</sup>
	Residual	150.818	235	.642		
	Total	280.812	238			
4	Regression	133.721	4	33.430	53.183	.000 <sup>d</sup>
	Residual	147.090	234	.629		
	Total	280.812	238			
5	Regression	136.674	5	27.335	44.187	.000 <sup>e</sup>
	Residual	144.138	233	.619		
	Total	280.812	238			

- a. Predictors: (Constant), Teaching Quality
- b. Predictors: (Constant), Teaching Quality, Personal Development
- c. Predictors: (Constant), Teaching Quality, Personal Development, Organizational and Management Approach
- d. Predictors: (Constant), Teaching Quality, Personal Development, Organizational and Management Approach, Learning Resources
- e. Predictors: (Constant), Teaching Quality, Personal Development, Organizational and Management Approach, Learning Resources, Academic Support
- f. Dependent Variable: Quality Education

From the above table it is found that the significance level of the F value (0.000001) is below  $\alpha = 0.05$ . At 5 & 233 degrees of freedom the calculated value of F is also greater than the table value. So it is proved that this regression model is significant. It indicates that the independent variables have significant relationship with the dependent variable. Thus the independent variables - (Constant), Teaching Quality, Personal Development, Organizational and Management Approach, Learning Resources, Academic Support have significant relationship with the dependent variable - Quality Education.

#### 5.4 Coefficients Analysis

Analysis of co-efficient provides us which independent variables have significant relationship with the dependent variables and provide us the importance of each independent variable independently.

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.023	.214		4.773	.000
	Teaching Quality	.664	.058	.596	11.436	.000
2	(Constant)	.379	.233		1.624	.106
	Teaching Quality	.488	.063	.439	7.730	.000
	Personal Development	.332	.060	.315	5.549	.000
3	(Constant)	.142	.235		.603	.547
	Teaching Quality	.429	.063	.386	6.769	.000
	Personal Development	.292	.059	.277	4.936	.000

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	Organizational and Management Approach	.196	.052	.198	3.798	.000
4	(Constant)	-.044	.245		-.179	.858
	Teaching Quality	.411	.063	.370	6.515	.000
	Personal Development	.263	.060	.249	4.392	.000
	Organizational and Management Approach	.177	.052	.179	3.416	.001
	Learning Resources	.123	.051	.125	2.435	.016
5	(Constant)	-.052	.243		-.216	.829
	Teaching Quality	.369	.066	.331	5.623	.000
	Personal Development	.245	.060	.233	4.102	.000
	Organizational and Management Approach	.120	.057	.121	2.087	.038
	Learning Resources	.120	.050	.122	2.389	.018
	Academic Support	.127	.058	.136	2.185	.030

a. Dependent Variable: Quality Education

Here, we see that Teaching Quality (0.000), Personal Development (0.000), Organizational and Management Approach (0.038), Learning Resources (0.018), Academic Support (0.030) significantly [Significant at 0.05 level] affect to the Quality Education. The relative coefficient of independent variables describes the relative importance to contribute the Quality Education. Therefore, the following regression model is formulated:

$$\text{Students' perception on Quality Education } (\hat{Y}) = -0.052 + 0.369*\text{Teaching Quality} + 0.127*\text{Academic Support} + 0.120*\text{Organizational and Management Support} + 0.120*\text{Learning Resources} + 0.245*\text{Personal Development}$$

Thus, we can conclude that

- ◆ *Education quality depends on Teaching Quality, Personal Development, Organizational and Management Approach, Learning Resources, Academic Support.*
- ◆ *Teaching Quality is the most significant factor to ensure the quality education followed by Personal Development, Organizational and Management Approach, Learning Resources, Academic Support.*
- ◆ *Assessment and Feedback mechanism in the institution is the only factor which is not considered as the criteria to ensure the quality education*

## 6.0 Conclusion

Education is the backbone of any nation. Government of every country tries to provide better education to the general public. The consequence of this notion is resulted the approval of private university to ensure higher education. It is not possible for any government to ensure 100% higher education to all the public. Here the private university is playing major role to provide these services.

But ensuring quality education of private university sometimes is in question mark. Some private universities are charging higher tuition fee rather than providing quality education. Taking into account of this fact, authorities of private universities should be aware of quality education and thereafter try to ensure quality with higher tuition fee.

Our research has revealed five important factors among the six identified factors to ensure the quality education. Qualified faculties play the most important role here. Teaching methods, in-depth knowledge about the course, communication skills etc. are the significant criteria to become a qualified teacher. In addition to this factor, Self-Development includes - analytical ability, presentation skill, English proficiency skills, subjective knowledge are the sign of personal achievement of the students. Students need to interact with the administrative employees for the support activities. It is observed that administrative officers do not cooperate with the students properly and also they sometimes involve in malpractices. So, Organizational and Management Approach should be very friendly and prompt and responsive. Another significant factor to ensure quality education is availability of Learning Resources. It defines mostly the library facilities and IT Facilities of the university. Finally, Academic Support is necessary to improve the students quality and helpful for choosing the right career track. Career Counseling, Job placement, Career Training Programs etc. are beneficial to foster the performance and skills of the students.

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# Effectiveness Of Control Environment In Banking Sector In Bangladesh With Reference To The City Bank Limited

Shahana Kabir<sup>1</sup>

***Abstract:** Senior Executives have long sought ways to better control the enterprises they run. Internal controls are put in place to keep the company on course toward profitability goals and achievement of its missions and to minimize surprises along the way. They enable management to deal with rapidly changing economic and competitive environments, shifting customer demands and priorities, and restructuring for future growth. Internal controls promote efficiency, reduce risk of asset loss, and help ensure the reliability of financial statements and compliance with laws and regulations. This article will be exclusively focused to internal control environment model developed by Committee of Sponsoring Organizations (COSO) and eventually will examine the internal control practiced in the City Bank Limited in compliance with COSO model. The City Bank Limited management tries to implement best possible options for maintaining a balanced control environment that ultimately pave the way for attaining internal control to the fullest let alone shaping the financial report card. Because internal control serves many important purposes, there are increasing calls for better internal control systems. Internal control is looked upon more and more as a solution to a variety of potential problems.*

***Key Words:** Internal Control, Control Environment, Committee of Sponsoring Organizations (COSO), Control Environment Framework, The City Bank Limited*

## 1. Introduction

Control is a mechanism that can ensure a tone of accountability in every aspect of the organization and will enable an organization to achieve good governance. Internal control is defined as a process comprised of an organization's structure, authority flows, work and people, designed to help the organization accomplish specific goals or objectives. It is a means by which an organization's resources are directed, monitored, and measured for achieving efficiency. It plays an important role in preventing and detecting fraud and protecting the organization's resources, both physical (e.g. machinery and property) and intangible (e.g. reputation or intellectual property such as trademarks). At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective. Internal control enables management to deal with rapidly changing economic and competitive environments, shifting customer demands and priorities and restructuring for future growth. Internal controls promote efficiency, reduce risk of asset loss and help ensure the reliability of financial statements and compliance with laws and regulations. COSO describes Internal control consists of five interrelated components these are (1) Control Environment, (2) Risk Assessment, (3)

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Control Activities, (4) Information and Communication and (5) Monitoring. Every organization regardless of size should devise a strong internal control environment. A weak control environment often indicates weaknesses of the other components of ICS (Wilkinson, Cerullo, Ravel, Wing; page 237). As Control environment, an intangible factor and the first of the five components, is the foundation for all other components of internal control, providing discipline and structure and encompassing both technical competence and ethical commitment. So, here the main focus is on control environment.

## 2. Objective of the Study

The main objective of the study is to measure the internal control environment of the City Bank Ltd in comparison with COSO's control environment components. So, the overall objectives of the study are

- ♦ To identify the major tools and mechanisms used by City Bank for internal control
- ♦ To go through the policy matters relating to control environment
- ♦ To identify the factors affecting control environment
- ♦ To render suggestions in the light of the findings

## 3. Methodology of the Study

Appropriate sampling method is a key to finding facts and facets. Considerable effort was given to develop the suitable sample plan. The extent of the study was the bank itself and on top, mode of the study was qualitative; Purposeful Sampling technique (J. M. Morse, 1991) has been used in this study. Basically, in cases when description is expanded with more specific information, participants with that particular knowledge and atypical experiences are deliberately sought for. This description of 'purposeful (or theoretical) sampling' seems to indicate that the sampling is directed by a desire to include a range of phenomenon in the study. Respondents for this study were selected applying convenience sampling technique. The survey was conducted during May 2014 through in-depth interview with sixty respondents of CBL. The period of the survey was two months. Secondary data were collected from company websites, reports, newspapers, electronic database, magazines and online publications produced by both academicians and banks.

## 4. Literature Review

Internal Control System aims at reaching organizational and its operational supremacy at different spheres of work environment. This qualitative model often provides the stakeholders with all related queries for effective decision making. When an entity adopts internal control system in their operational framework, the entire skeleton gets under scrutiny and eventually a good amount of resourceful outcome paves the way for appropriate insights about it. In the book || *Sawyer's Guide for Internal Auditors*'' published by The Institute of Internal Auditors Research Foundation, 2012, **Internal Control**, was defined as a process for assuring achievement of an organization's objectives in operational effectiveness and

efficiency, reliable financial reporting and compliance with laws, regulations and policies. A broad concept, internal control involves everything that controls risks to an organization.

Later this internal control was in-detailed by Anderson, Chris in his article —Writing Accounting Procedures for Internal Control. He opined that **Internal Control** is a means by which an organization's resources are directed, monitored, and measured. It plays an important role in detecting and preventing fraud and protecting the organization's resources, both physical (e.g., machinery and property) and intangible (e.g., reputation or intellectual property such as trademarks). At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective (e.g., how to ensure the organization's payments to third parties are for valid services rendered.) Internal control procedures reduce process variation, leading to more predictable outcomes. Michael Ramos (CPA & Internal Control specialist) in an article titled —*Evaluate the Control Environment* nearly echoed the above citations in different connotations. He highlighted Control Environment what he deemed to be important catalyst for any organization who seeks for efficiency and supremacy. As he said, **Control Environment** has a **Pervasive** structure that affects many business process activities. It includes elements such as management's integrity and ethical values, operating philosophy and commitment to organizational competence. Alongside, he mentioned three sub-points as well.

- ♦ Adding to the difficulty of the task is the fact that the control environment is not transaction-oriented. Tests of controls that auditors are accustomed to performing, such as walk-through or the re-performance of the control for a sample of items, will not be possible. And focusing solely on activity-level controls is inappropriate.
- ♦ Tests of the control environment will consist of a combination of procedures, including a review of relevant documentation of the design, inquiries of management and employees and direct observation.
- ♦ Auditors will have to probe for understanding and awareness and try to understand the company's attitude toward internal control over financial reporting. They also should ask management for a self-assessment. On the other hand, Australian Auditing and Assurance Standards Board has defined the same Control Environment weaving a number of thoughts. The control environment includes the governance and management functions and the attitudes, awareness, and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity. The control environment sets the tone of an organization, influencing the control consciousness of its people. According to the article **Control Environment** includes an organization's:

- ♦ Internal control processes and requirements
- ♦ Organizational structure
- ♦ Reporting structure
- ♦ Delegations and approval processes
- ♦ Committee structure and framework
- ♦ Code of conduct and
- ♦ Human resource policies and practices

While an organization's internal controls and structures underpin a strong control framework, management should also have an understanding of the importance of the organization's culture in influencing the effectiveness of the controls. For example, an organization may have a well documented risk management process but without active management support, the process may not be adopted to the extent required to ensure best practice concerning risk identification and management. Elements that shape organization culture and influence the effectiveness of its internal controls include:

- ♦ Communication standards
- ♦ Enforcement of integrity and ethical values
- ♦ Appointment of staff with appropriate qualifications and competencies
- ♦ Commitment to professional work practices and standards
- ♦ Participation in organization governance activities and
- ♦ Management philosophy and operating style

Another academic thought in this regard was outlined by Joseph H. Callaghan, Arline Savage, and Steven Mintz. They wrote an article titled —*Assessing the Control Environment Using a Balanced Scorecard Approach* || where they described the total subject matter thoroughly. Section 404 of the Sarbanes-Oxley Act of 2002 (SOX) requires that companies subject to the Securities and Exchange Act of 1934 include in their annual reports a report of management on the company's internal control over financial reporting. This must contain management's assessment and a statement of the effectiveness of the controls. Almost no guidance, however, has been provided on how to evaluate the critical component of internal controls: the control environment. The control environment reflects top management's awareness and commitment to the importance of controls throughout the organization and encompasses management integrity, ethical values, and operating philosophy. The key to successful internal control is having a control environment that sets a tone of integrity which influences the ethical and control consciousness of employees. The external auditor reviews management's report and makes an independent evaluation as part of an integrated audit of internal controls and financial statements. The auditor issues separate reports that provide —reasonable assurance || : The auditor's internal control report provides reasonable assurance concerning whether the company maintained, in all material

respects, effective internal control over financial reporting. The audit report provides reasonable assurance concerning whether the financial statements fairly present financial position, results of operations and changes in cash flows. Management is required to base its assessment of the company's internal control over financial reporting on a suitable and recognized framework. The framework identified in IAS 2 is the Committee of Sponsoring Organizations' (COSO) framework described in its Internal Control—Integrated Framework (1992). COSO emphasizes changing the corporate culture to proactively establish the systems that would prevent fraudulent financial reporting. It starts with the —tone at the top || . Top management should set an ethical tone that filters throughout the organization.

The COSO framework defines internal control as a process, effected by an entity's board of directors, management, and other personnel, that is designed to provide reasonable assurance of the following objectives: 1) effectiveness and efficiency of operations; 2) reliability of financial reporting; and 3) compliance with applicable laws and regulations. In an effort to illustrate Control Environment, two other management specialists, Joseph F. Castellano and Susan S. Lightle point out in —*Using Cultural Audits to Assess Tone at the Top* || (The CPA Journal, February 2005) that tone affects corporate culture by influencing how top management might react to situational pressures, such as meeting internal budget amounts or financial analysts' earnings expectations. A strong control environment supported by an ethical tone at the top is the cornerstone of a system of internal controls that supports financial reporting oversight role of the audit committee. Castellano and Lightle suggest that a —*cultural audit* || would provide means for assessing the tone at the top and the attitude toward internal controls and ethical decision-making. They believe that such an audit can play an important role in helping management shape an ethical climate within the organization and in helping directors and auditors assess the effectiveness of internal controls. The external auditors would include in their internal control assessments and risk management profiles a process designed to assess the tone at the top and its impact on a company's culture. The authors do not identify issues to be raised or specific questions to address in the cultural audit but do point out that an assessment of the situational pressures should be an important part of the process. Basically, reaching to a unanimous consensus regarding internal control requires clear and thorough understanding. The generic subject matter has been analyzed in different time frame from different focal points. Apart, be it a manufacturing entity or be it a service organization, each of them aspires for entity effectiveness and supremacy. Eventually research and discussion on internal control has been operative in bountiful. In this study, both internal control and control environment would be discussed from couple available viewpoints mostly analyzed by sages across the globe.

## **5. Internal Control**

Internal control is the process, which is effected by an entity's board of directors, management and other personnel designed to provide reasonable assurance regarding

the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations and compliance with laws and regulations. (The COSO report, 1992) The division of internal control into five components (the control environment, the entity's risk assessment process, monitoring of controls, the information system relevant to financial reporting, and communication, control activities) provides a useful framework for the same. Among these five, most effectively deciding factor is control environment. The control environment includes the governance and management functions and the attitudes, awareness and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity. The control environment is the foundation for effective internal control, providing discipline and structure. The primary responsibility for the prevention and detection of fraud and error rests with those charged with governance and the management of an entity. Internal control is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- ♦ Effectiveness and efficiency of operations
- ♦ Reliability of financial reporting
- ♦ Compliance with applicable laws and regulations

The **first** category addresses an entity's basic business objectives, including performance and profitability goals and safeguarding of resources. The **second** relates to the preparation of reliable published financial statements, including interim and condensed financial statements and selected financial data derived from such statements, such as earnings releases, reported publicly. The **third** deals with complying with those laws and regulations to which the entity is subject. These distinct but overlapping categories address different needs and allow a directed focus to meet the separate needs. Internal control systems operate at different levels of effectiveness. Internal control can be judged effective in each of the three categories, respectively, if the board of directors and management have reasonable assurance that:

- ♦ They understand the extent to which the entity's operations objectives are being achieved.
- ♦ Published financial statements are being prepared reliably.
- ♦ Applicable laws and regulations are being complied with.

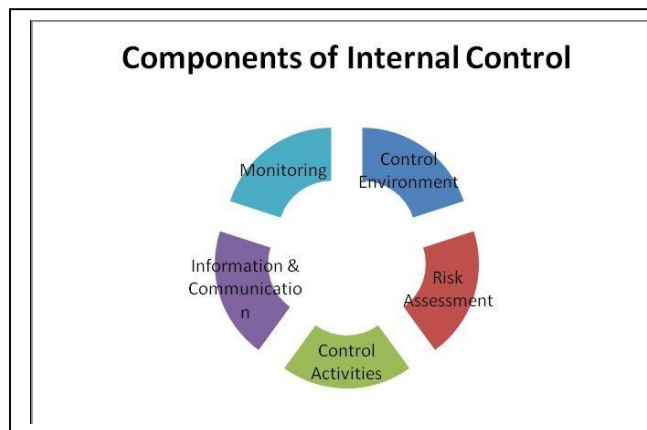
While internal control is a process, its effectiveness is a state or condition of the process at one or more points in time. (COSO, Integrated Framework, 2004)

## **6. Internal Control-Integrated Framework**

The original *Internal Control-Integrated Framework* (original framework), published in 1992, remains fundamentally sound and broadly accepted in the marketplace for



designing, implementing, and conducting systems of internal control and assessing their effectiveness. The COSO Board decided to update the original framework recognizing there have been many changes in business and operating environments. Considering all those spectrums, five components were tuned to reach into successful output. Internal control consists of five interrelated components. These are derived from the way management runs a business, and are integrated with the management process. Although the components apply to all entities, small and mid-size companies may implement them differently than large ones. Its controls may be less formal and less structured, yet, a small company can still have effective internal control. The components are:



**Risk assessment** involves a dynamic and iterative process for identifying and analyzing risks to achieving the entity's objectives, forming a basis for determining how risks should be managed. Management considers possible changes in the external environment and within its own business model that may impede its ability to achieve its objectives. **Control activities** are the actions established by policies and procedures to help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity and at various stages within business processes, and over the technology environment. **Information** is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. **Communication** occurs both internally and externally and provides the organization with the information needed to carry out day-to-day internal control activities. Communication enables all personnel to understand internal control responsibilities and their importance to the achievement of objectives. Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to effect the principles within each component, are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner, with serious matters reported to senior management and to the board and eventually how **monitoring activities** took place. The **control environment** is the foundation for all other components of internal control. The board and senior management establish the tone from the top regarding

the importance of internal control and expected standards of conduct. The control environment provides discipline, process, and structure. This article would only concentrate on —Control Environment || and its effectiveness in reference to The City Bank Limited.

Every organization of its own should maintain a strong internal control environment. Managers must evaluate the internal control environment in their own unit and departments as the first step in the process of analyzing internal controls. Many factors determine the control environment and are listed below for consideration. This list is not all-inclusive, nor will every item apply to a particular unit. (COSO, Integrated framework, 1994)

**a) Management’s Philosophy and Operating Style**

- Nature of business risks accepted, e.g., whether management often enters into particularly high-risk ventures, or is extremely conservative in accepting risks
- Frequency of interaction between senior management and operating management, particularly when operating from geographically removed locations
- Attitudes and actions toward financial reporting, including disputes over application of accounting treatments (e.g., selection of conservative versus liberal accounting policies; whether accounting principles have been misapplied, important financial information not disclosed, or records manipulated or falsified)

**b) Integrity and Ethical Values**

- Existence and implementation of codes of conduct and other policies regarding acceptable business practice, conflicts of interest or expected standards of ethical and moral behavior
- Dealings with employees, suppliers, customers, investors, creditors, insurers, competitors and auditors, etc. (e.g. whether management conducts business on a high ethical plain and insist that others do so or pay little attention to ethical issues)
- Pressure to meet unrealistic performance targets-particularly for short term results and extent to which compensation is based on achieving those performance targets

**c) Commitment to Competence**

- Formal or informal job descriptions or other means of defining tasks that comprise particular jobs
- Analyses of the knowledge and skills needed to perform jobs adequately

**d) Board of Directors or Audit Committee**

- Independence from management, such that necessary, even if difficult and probing, questions are raised

- Frequency and timeliness with which meetings are held with chief financial and/or accounting officers, internal auditors and external auditors
- Sufficiency and timeliness with which information is provided to board or committee members, to allow monitoring of management's objectives and strategies, the entity's financial position and operating results and terms of significant agreements
- Sufficiency and timeliness with which the board or audit committee is apprised of sensitive information, investigations and improper acts (e.g. travel expenses of senior officers, significant litigation, investigations of regulatory agencies, defalcations, embezzlement or misuse of corporate assets, violations of insider trading rules, political payments, illegal payments)

**e) Organization Structure**

- Appropriateness of the entity's organizational structure and its ability to provide the necessary information flow to manage its activities
- Adequacy of definition of key manager's responsibilities and their understanding of these responsibilities
- Adequacy of knowledge and experience of key managers in light of responsibilities

**f) Assignment of Authority and Responsibility**

- Assignment of responsibility and delegation of authority to deal with organizational goals and objectives, operating functions and regulatory requirements, including responsibility for information systems and authorizations for changes
- Appropriateness of control-related standards and procedures, including employee job descriptions
- Appropriate numbers of people, particularly with respect to data processing and accounting functions, with requisite skill levels relative to the size of the entity and nature and complexity of activities and systems

**g) Human Resource Policies and Practices**

- Extent to which policies and procedures for hiring, training, promoting and compensating employees are in place
- Appropriateness of remedial action taken in response to departures from approved policies and procedures
- Adequacy of employee background checks, particularly with regard to prior actions or activities considered to be unacceptable by the entity
- Adequacy of employee retention and promotion criteria and information gathering techniques (e.g. performance evaluations) and relation to the code of conduct or other behavioral guidelines

Basically, there are three main focuses to evaluating the control environment with respect to COSO model. First, management's attitude, actions and values set the tone

of an organization, influencing the control consciousness of its people. Internal controls are likely to function well if management believes that those controls are important and communicates that view to employees at all levels. Conversely, if management believes that controls are unrelated to achieving objectives or are obstacles then this attitude will be communicated. Management can show a positive attitude toward internal control by such actions as including internal control in performance evaluations, discussing internal controls at management and staff meetings and by rewarding employees for good internal control practices. Second, commitment to competence includes a commitment to hire, train, and retain qualified staff. It encompasses both technical competence and ethical commitment. Management's commitment to competence includes both hiring staff with the necessary skills and knowledge and ensuring that current staff receives adequate ongoing training and supervision. Third, the involvement of the Audit Committee of the Board of Directors in a review of internal controls and audit activities can be a positive influence on the organization's control environment.

Internal control provides many benefits to an entity. It provides management and the board of directors with added confidence regarding the achievement of objectives, it provides feedback on how a business is functioning, and it helps to reduce surprises. Among the most significant benefits of effective internal control for many entities is the ability to meet certain criteria required to access the capital markets, providing capital-driven innovation and economic growth. Such access of course comes with responsibilities to effect timely and reliable reporting for shareholders, creditors, capital providers, regulators, and other third parties with which an entity has direct contractual relationships. For instance, effective internal control supports reliable external financial reporting, which in turn enhances investor confidence in providing the requisite capital. Other benefits of effective internal control include:

- ♦ Reliable and relevant information supporting management's decision making on matters such as product pricing, capital investment, and resource deployment.
- ♦ Consistent mechanisms for processing transactions, supporting quality of information and communications across an organization, enhancing speed and reliability at which transactions are initiated and settled, and providing reliable recordkeeping and ongoing integrity of data.
- ♦ Increased efficiency within functions and processes
- ♦ Retention of the facts, reasoning, and basis for decisions where highly subjective and substantial judgment is needed.
- ♦ Ability and confidence to accurately communicate business performance with business partners and customers, which supports continuity of the business relationship.

#### **7. Parties responsible for internal control environment**

Internal control is a stratum while its practice & effectiveness would be outcome of a number of roles and personnel involved in an organization.

**Management** The Chief Executive Officer is ultimately responsible and should assume "ownership" of the system. More than any other individual, the chief executive sets the "tone at the top" that affects integrity and ethics and other factors of a positive control environment. In a large company, the chief executive fulfills this duty by providing leadership and direction to senior managers and reviewing the way they're controlling the business. Senior managers, in turn, assign responsibility for establishment of more specific internal control policies and procedures to personnel responsible for the unit's functions. In a smaller entity, the influence of the chief executive, often an owner-manager is usually more direct. In any event, in a cascading responsibility, a manager is effectively a chief executive of his or her sphere of responsibility. Of particular significance are financial officers and their staffs, whose control activities cut across, as well as up and down, the operating and other units of an enterprise.

**Board of Directors** Management is accountable to the board of directors, which provides governance, guidance and oversight. Effective board members are objective, capable and inquisitive. They also have knowledge of the entity's activities and environment and commit the time necessary to fulfill their board responsibilities. Management may be in a position to override controls and ignore or stifle communications from subordinates, enabling a dishonest management which intentionally misrepresents results to cover its tracks. A strong, active board, particularly when coupled with effective upward communications channels and capable financial, legal and internal audit functions, is often best able to identify and correct such a problem.

**Internal Auditors** Internal auditors play an important role in evaluating the effectiveness of control systems, and contribute to ongoing effectiveness. Because of organizational position and authority in an entity, an internal audit function often plays a significant monitoring role.

#### **Other Personnel**

Internal control is, to some degree, the responsibility of everyone in an organization and therefore should be an explicit or implicit part of everyone's job description. Virtually all employees produce information used in the internal control system or take other actions needed to effect control. Also, all personnel should be responsible for communicating upward problems in operations, noncompliance with the code of conduct or other policy violations or illegal actions. A number of external parties often contribute to achievement of an entity's objectives. External auditors, bringing an independent and objective view, contribute directly through the financial statement audit and indirectly by providing information useful to management and the board in carrying out their responsibilities. Others providing information to the entity useful in effecting internal control are legislators and regulators, customers and others transacting business with the enterprise, financial analysts, bond raters and the news media. External parties, however, are not responsible for, nor are they a part of, the entity's internal control system. (COSO, Internal Control Integrated Framework, 2004)

## 9. Data Analysis and Results

Going through the City Bank Limited's control environment aspects, it was found that the organization has been maintaining regular internal control reviews and assessments as the management believes such practices are extremely essential in today's rapidly changing business landscape. Employee fraud, misappropriation and stealing are becoming increasingly common in today's business environment. Too often, frauds are committed not out of financial necessity or desperation, but simply because the opportunity for misappropriation presented itself accompanied by lack of monitoring or controls. In regards to risk assessment, The City Bank Limited follows strong monitoring that paves the way for zero-tolerance level in every facets of risk areas be it core or supplementary. Moreover, the City Bank Limited's expert IT team is always vigilant to take due and appropriate care to transactional flowchart so that no one may even take a chance to misappropriate. In fact, the expertise accompanied by farsightedness of their management and board has been a boon to the organization for setting up an error-free control environment under the shade of which employees are committed to serve with utmost loyalty and reliability. The following parts describe the specific findings regarding the different components of control environment of the City Bank Limited in comparison with COSO's internal control components.

**1) Management Philosophy and Operating Style:** 83% of the respondents find City Bank's strong adherence towards long term profits and actually the bank doesn't emphasize short term operating profit. Rather, being a financial institution, City Bank always looks for long term profit. To materialize this objective, the bank has segregated its business functional area into Retail, Corporate, SME division so that the bank can focus in a planned way.

CBL Management group is not entirely dominated by a few personnel. Its Management Team comprised of 12 top notch banking professionals headed by Mr. Sohail R. K. Husain, Managing Director & CEO of the City Bank Limited. CBL Management team takes calculative business risk. In today's world, business arena has been functioning in multi-varied sectors. But due to this sudden recession progressed for the last couple of months investment has been proved to be a matter of thousand thoughts. But under the able guidance and supervision of top quality Management, CBL is cutting good figure through adopting calculative risk. In case of selecting from alternative accounting principles Management is pretty objective that is aggressive towards adopting standard and best practiced accounting principles like IAS, FAS, GAAP, GAAS for the bank's accounting operations.

**2) Organization Structure** An up to date Organizational flowchart is maintained in the bank showing key personnel in order for clarity and objectivity. CBL believes it will help its employees know respective hierarchy and hence, they would act accordingly. More than 90% respondents voice this as well. In City Bank there is no Accounting department rather Finance department, which is organized and plays the key role in managing proper and standard entry to business transactions. CBL internal audit function is separate and distinct from that of Finance Division. CBL is enriched

with its ICC (Internal Control & Compliance) division who basically is responsible for internal audit related activities. In CBL, the subordinate manager does not report to more than one supervisor. In some departments where there is more than one subdivision (Units), separate Unit Heads are appointed to look for their respective issues.

### **3) Assignment of Authority and responsibility**

Among the participants, 75% opt for assignment & responsibility of authority in a way that if opaque & ambiguity does not remain present in authority activities, internal control environment would get its platform to march ahead. Basically, for each position, City Bank HR departments have specific and detailed Job Description inscribed focusing roles and responsibilities. For any decision-related change needed to incorporate to the core system, it requires written approval from the top management. The bank clearly delineates to the employees and managers the boundaries of authority responsibility relationships. It provides both in-house and external training to get the employees known of their scope and extent of respective jobs. While the annual performance is analyzed, this extent is also matched with respective activities. The bank properly delegate authority to its employees and departments as well. However, in order to obtain quick result, CBL adopts division of jobs and assigns responsibility likewise.

**4) Human resource policies & practices** In the City Bank Limited new personnel usually is not individually indoctrinated with internal controls, ethics, policies and corporate code of conduct. Usually when a batch of people (like Management Trainee) joins in the City Bank Limited, HR arranges a behavioral and institutional training comprising code of conducts, company image and the like apart from core banking techniques. In the City Bank Limited there are no grievance procedures to manage conflict in force. CBL maintains sound employee relationship. Its HR team has been bestowed with quality resources where it actually seeks for employees' continuing benefits. Any employee gets his respective HR related issues solved within shortest possible of time. CBL employees work in safe and healthy environment. All the premises are aptly designed keeping all updated safety equipments in proper place so that people remain safe and sound.

In the City Bank Limited frequent counseling programs aren't available for employees. Usually when PMP (Performance Management Policy) comes into action, all this counseling program starts to roll. Alongside the HR team has initiated dialogues in exit phases as well. In the survey, 85% of the respondents opined that regular counseling program would assist them in respective roles that eventually would impact positively in their performance.

**5) Integrity & Ethical Value:** Herein, 65% survey population was supportive and stated adoption & implementation of this virtue would bring success for decent internal control environment. In this context, City Bank properly maintains its ethical code of conduct. The bank has a codebook titled CRP (Customer Relationship Program) that clearly outlines both behavioral and ethical sets of practices. City HR regularly conducts interactive programs with the employees over this CRP. Abiding CRP is a must for all CBL employees. Hence, whenever people go beyond their

boundary, they get penalized for that as suggested by CRP as well. Usually managers act fairly to their respective subordinates. Exceptions occur fairly distantly. Hence, it's proclaimed that CBL management is fair to its employees.

**6) The Board of Directors and Audit Committee** Most of the respondents' votes (90%) went for Board of Directors (BOD) & Audit Committee who factually are the core determinants for a stout internal control environment. CBL BOD is comprised of several renowned business persons who have gathered sufficient experience before anchoring this financial institution. Apart, they have a pool of independent audit committee. In case of City Bank, their BOD appoints audit committee consisting of external auditors. CBL audit committee plays their role actively and independently.

### **7) Commitment to competence**

A section of respondents also suggests that committed to competence among the personnel can be driving force for internal control environment. 45 of them fall this category. CBL is committed for competence. Its activities clearly reflect this philosophy. In City Bank, recruitment department consists of proper knowledgeable person from relevant fields. As per recruitment is concerned, the City Bank Limited has a sweet affiliation with one established third party HR consultant that helps the bank find its requirement-oriented employees who would excel its enthusiasm and knowledge for the betterment and progress of the entity itself. It is further noted that to ensure better internal control and eventually to confirm an error free control environment in the MIS (Management Information systems), City Bank has made contract with KPMG (one of the five top audit firm in the world) where the bank wants to have a flawless system network and eventually no manual intervention can be possible. Thus it conforms to its principle to maintain a healthy control environment.

### **10. Recommendation**

It would be worth noting for CBL that the organization opts for improvement from time to time on case-to-case basis so that they can maintain their forward movement to the pinnacle. In order to address internal control environment issues, CBL management should liaise with all concerned divisions and accordingly arranges to prepare a lay out to be executed in time. As in for suggesting recommendations, following points are worth mentioning.

- ♦ CBL management should conduct formal, in-depth employment interviews to describe the entity's history, culture, and operating style, run background/reference checks, and conduct procedures to determine whether a particular candidate fits with the organizational needs and has the competence for the proposed role.
- ♦ CBL management should enable individuals to develop competencies appropriate for assigned roles and responsibilities, reinforce standards of conduct and expected levels of competence for particular assignments, tailor training based on roles and needs, and consider a mix of delivery techniques, including classroom instruction, self-study, and on-the-job training.



- ♦ CBL management should provide guidance on the individual's performance toward expected standards of conduct and competence, align the individual's skills and expertise with the entity's objectives, and help personnel adapt to an evolving environment.
- ♦ CBL management should measure the performance of individuals in relation to the achievement of objectives and demonstration of expected conduct, and against service-level agreements or other agreed-upon standards for recruiting and compensating outsourced service providers.
- ♦ CBL management should provide incentives to motivate and reinforce expected levels of performance and desired conduct, including training and credentialing as appropriate.
- ♦ CBL Management would continually identify and assess those performing functions that are deemed essential to achieving the entity's objectives. The importance of each role is determined by assessing what the impact would be if that role was temporarily or permanently unfilled.
- ♦ CBL management would develop contingency plans for assigning responsibilities important to internal control. In particular, succession plans for key executives would be defined and succession candidates would be trained and coached for assuming the target role as well.
- ♦ CBL management at all levels of the entity would demonstrate through their directives, actions, and behavior the importance of integrity and ethical values to support the functioning of the system of internal control.
- ♦ CBL management would consider the multiple structures used (including operating units, legal entities, and outsourced service providers) to support the achievement of objectives.
- ♦ CBL management would design and evaluate lines of reporting for each entity structure to enable execution of authorities and responsibilities and flow of information to manage the activities of the entity.

**11. Conclusion** Control environment techniques can help the City Bank Limited to achieve its performance and profitability targets, and prevent loss of resources. It certainly helps the organization ensure reliable financial reporting. Also it can help ensure that the enterprise complies with laws and regulations, avoiding damage to its reputation and other consequences. In sum, it can help an entity to get where it wants to go and avoid pitfalls and surprises along the way. Thus, internal control environment encompasses the policies, processes and skills to ensure only valid financial transactions are recorded, that such transactions are recorded accurately and that rules and regulations are complied with. Internal controls can be thought of as proactive measures to prevent inappropriate charges and to ensure compliance as well.

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## **Annexure -1**

**Questionnaire about control environment of the City Bank Limited** Name: ..... Designation: ..... Email ID:.....1)

### **Management Philosophy and Operating Style**

- ♦ Does management emphasize short term profits as operating goals to the detriment of long term goal?
- ♦ Is the management group dominated by a few individuals?
- ♦ What type of business risk does management take and how are these risks managed?
- ♦ Is the management conservative or aggressive toward selecting from alternative accounting principles?

### **2) Organization Structure**

- ♦ Is an up-to-date organization chart prepared showing the names of the key personnel?
- ♦ How the accounting department is organized?
- ♦ Is the internal audit function is separate & distinct from accounting?
- ♦ Do subordinate manager report to more than one supervisor?

### **3) Assignment of Authority and responsibility**

- ♦ Does the company prepare written employee job description defining the specific duties and reporting relationship?
- ♦ Is written approval required for changes made to information systems?
- ♦ Does the company clearly delineate to the employees and managers the boundaries of authority-responsibility relationships?
- ♦ Does the company properly delegate authority to employees and departments?

### **4) Human resource policies & practices**

- ♦ Are new personnel indoctrinated with respect to the internal controls, ethics, policies and corporate code of conduct?
- ♦ Are grievance procedures to manage conflicting in force?
- ♦ Does the company maintain a sound employee's relationship?
- ♦ Do employees work in safe & healthy environment?
- ♦ Are counseling programs available to employees?

### **5) Integrity & Ethical Value:**

- ♦ Is there any ethical code of conduct?
- ♦ Whether management is fair to all employees?
- ♦ Does everybody know about the ethical value?
- ♦ Whether employees abide by the ethical value?

**6) The Board of Directors and Audit Committee**

- ♦ Is there any board of directors or audit committee?
- ♦ Does BOD appoint audit committee consisting of outside auditors?
- ♦ Does Audit committee play role actively or not?
- ♦ Does the internal audit committee review compliance with laws and regulation with corporate code of conduct?

**7) Commitment to competence**

- ♦ Are you committed to competence?
- ♦ Does your activity reflect it?
- ♦ Does the Recruitment department consist of knowledgeable person?