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However, in case of short papers and communications, results and discussion could be combined in one section.

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Editorial

The *Journal of Business Strategies* publishes articles with a practical focus designed to help readers develop successful business strategies. It covers topics as diverse as marketing strategy, innovation, developments in the global economy, mergers & acquisition integration and human resources. The journal helps the reader in sharpening and broadening leadership skills, fosters innovation and inventiveness in a corporate structure and introduces new ways to leave the competition behind. The ninth issue of the “Business Strategies, J” contains the following research papers.

Dr. Muneer Ali Shah Rizvi et al in the first paper on “Customers’ Attitude towards E-Shopping in Pakistan: A Case Study of Sukkur” analyses and examines consumer attitudes towards the internet based e-shopping in Pakistan with special reference to Sukkur.

Dr. Muhammad Bachal Jamali et al in the second paper on “Global Financial Crisis and its Impact on Textile Industry of Pakistan” investigates the global financial crisis and its impact on textile industry in Pakistan.

Dr. Lawal Mohammad Anka et al, in the third paper on “Quality Higher Education for Sustainable Development in Nigeria” examines the theoretical framework for quality higher education in Nigeria and identifies the parameters which play a very good role towards achieving quality assurance.

Mr Rameez-ur-Rehman et al in the fourth paper on “The Impact of High Inflation on Stock Market Returns in Pakistan” *examines the impact of high inflation on stock market returns .To analyze this a monthly data of inflation and stock returns was collected from 2005-2009.*

Qaiser Rafique Yasser et al in the fifth paper on “Corporate Governance and Performance of Pakistani Listed Companies-A Case Study of Sugar Sector” examines the link between corporate governance and corporate performance in sugar industry of Pakistan. A set of listed companies has been investigated to analyze the relationship for the financial year 2009.

Muhammad Akram Naseem et al in the sixth paper on “Performance Evaluation of Mutual Funds with Reference to Pakistan” has conducted a research to find out the investment tendency in mutual funds of Pakistan, Conventional Vs Islamic and his study also aims at finding out the role of mutual fund investment in Pakistan.

Dr Mushtaque Sajid et al in the seventh paper on “The Role of Career Management in the Economic Development: A Case Study of Pakistan” examines the career choice and career management strategy among employees in developing economy with a collective social setup.

Muhammad Safdar et al in the eighth paper on “Customer Complaints and Service Improvement- A Case Study of Public Utilities in Pakistan” discusses *whether the customer complaints contribute towards service improvement in public utility sector of Pakistan or not. Results show that customer complaints provide opportunities to solve problems, fulfill deficiencies and remove faults occurred in the public utility sector and play a vital role for service improvement.*

The Editorial Board welcomes from readers any suggestions for further improving the technical standard, presentation and usefulness of the Journal.

LUBNA AHSAN
Associate Editor

Customers Attitude Towards E-Shopping in Pakistan: A Case Study of Sukkur

Dr. Muneer Ali Shah Rizvi*
Faiz.M.Shaikh**

Abstract

This paper analyses and examines consumer attitudes towards Internet based e-shopping in Pakistan and with special reference to Sukkur. It aims to provide a theoretically and empirically grounded initial reference position, against which later research can explore and interpret the effects of changes in variables representing consumer preferences and shifts in these preferences on the success or failure of B2C and B2B e-commerce over Internet in Pakistan, in Sukkur specially. These patterns have been measured and collected by numerous independent marketing, business and even academic studies to understand how consumers connect with new technology. With the advent of the Internet and its related technologies as a new vehicle for commerce, new models have developed. This paper lays the groundwork with brief introduction of recent trends in e-commerce/M-commerce on people in Sukkur. It will also delve into favorable as well as negative website characteristics and sum up the favorable elements into a description of an e-commerce website in Sukkur market. As the development of Internet technology, e-commerce has become more and more important to modern enterprises in recent years. Therefore, e-commerce models have been paid more attentions but the area like Sukkur and even in Pakistan still facing so many problems regarding the consumer behavior especially in remote area like Sukkur (Pakistan).

Key Words, Online Retailing, E-commerce, technology, e-consumer behavior, e-shopping intention

Research Objectives

Explore a range of additional issues related to consumer perspectives on e-commerce.

To examine the behavior of consumers towards online shopping; with special reference to Pakistani market and analyze the future of online shopping in Sukkur or Pakistan.

Paper Type: Conceptual paper.

Introduction:

The study of e-consumer behavior is gaining importance due to the proliferation of online shopping. The Internet has revolutionized many aspects

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of our lives. We use the Internet for communication (chat and email), news, scientific research, ticket booking, and even marriage. One of the activities that have changed in the light of the Internet is shopping. On the other hand issue and behavior or attitude of consumers here in Pakistan and specially in Sukkur were seen over the time Having kept in mind some data for target sample (aged 25 to 35) in Pakistan or Sukkur we will start our study for better understanding.

External Factors for Pakistan

Total populations	170.6 million
Literacy rate	46.6 percent of adult Pakistanis were literate
Educational institute	130 universities for target sample
Knowledge & awareness of EC	85%
Trends in purchasing behavior towards EC	19%
GDP and per capita	\$451.972 billion and 2713 Rs

External Factors for Sukkur City

Total populations in city	750,000-800,000
Literacy rate for city	62%
Educational institute	31 main and total 63
Knowledge & awareness	For target sample 85%
Trends in purchasing behavior	9%

Internal Factors for Sukkur Citizens for Online Behavior

Income	2000 to 20000 Rs for physical shopping in a month
Access of internet	69%
Knowledge & awareness	77%
Trends in purchasing behavior	6%

Source: Wikipedia.com

Current Situation of E-Commerce Development

The accelerating process of economic globalization makes information exchange and communication frequent, which not only has profound impact on people's way of life, but it also has fundamental impact on business models. According to recent statistics, the total number of Internet users in Pakistan has exceeded 34 million, and Pakistan has become the 6th largest market in Asia. And as far as Sukkur is concerned it is going through a growing phase.

Methodology:

Nature of the study is exploratory and to some extent will also be descriptive in nature. Both primary and secondary data has been used in the study. Secondary

data sources were used to gain a comprehensive and in-depth understanding of the e-commerce market in Pakistan. Inputs related to the internet users in Pakistan, and segment-wise users of internet in India etc. have been taken. Secondary data is collected from academic journals and text books for literature review and internet whereas primary data is collected by executing a field survey and personal interviews with the subjects. Non-probability approach of sampling is used in the study and subjects are selected by using convenience and judgment sampling methods. Collected data is analyzed by using appropriate statistical methods. Frequency distribution tables and pie charts and bar diagrams are used to present and compare the findings and interpreting the results.

Methodology Phases

We developed a four-phase process to acquire the understanding we sought:

- Phase 1: Snapshot of Consumer Attitudes
- Phase 2: Secondary Research
- Phase 3: Interviews
- Phase 4: Quantitative Evaluation

How the Field Survey was Conducted:

A set of 09 questions were prepared before interviews commenced. All the questions pertained exclusively to the subject of online shopping. Prepared questions in the survey mixed between closed-ended questions to open-ended questions, which required more elaboration of sample member's online experience and perceptions of electronic purchasing.

- 1. How often do they shop online?**
- 2. What are the reasons for buying online?**
- 3. What are they buying online?**
- 4. Describe their experience of buying online?**
- 5. What sites do they visit?**
- 6. What important factors go into buying from an online purveyor?**
- 7. What qualities do you look for in an online retailer?**
- 8. What website elements do they look for?**
- 9. How can e-commerce websites be improved?**

For the purpose of study, the B2C e-commerce market was defined as buying and selling of products & services on the internet or on any other application that relies on the Internet. In other words, it comprises of transactions for which Internet acts as a medium for contracting or making payment or for consuming the service/product by the end consumer, who is an individual in Sukkur market.

To outline the current supply side industry, inputs were sought from key

players operating in the B2C and C2C e-Commerce Industry, which was further divided into the following verticals:

1. **Travel, comprising Travel aggregators**, Tour Operators, Hotels and Railways
2. **E-retailing, comprising Online Retailers** and Online Auctions
3. **Classifieds, comprising Online Jobs**, Online Matrimony, Online Property, Online Automobile and General Classifieds
4. **Paid Content Subscription**, comprising research, articles, exclusive videos, etc
5. **Digital Downloads**, from Internet to Mobiles and internet the size of B2C e-Commerce Industry for the year **2009** was computed to be around **Rs. 25 crores**. The market is expected to reach the mark of **Rs. 100 crores** by the end of **2011**, a growth of about **30%** over the current year over all in Pakistan.

Online Travel Industry is the largest contributor to the B2C E-Commerce Industry, sized at **Rs. 5 crores** for the year **2009** and is expected to rise to **Rs. 7 crores by the end of 2011 in Pakistan**

E-retailing stands at **Rs. 8 crores** in the year **2009**. It is expected to be **Rs 10 crores** industry at the end of **2011** Owing to elimination of physical costs, the category offers the best deals for low-end as well as high end products. However, many customers complain about the untimely delivery of products ordered online in Pakistan with main cities.

Online Classifieds is the second largest contributor to Online Non-Travel industry. The size of Online Classifieds was around **Rs. 4 crores** at the end of 2009. It is expected to rise to **Rs. 7 crores by the end of 2011**. Since, this segment is consumer-driven, it provides the users flexibility to access large database at the lower costs in remote area like Sukkur too.

The size of Online Subscription market is expected to grow by **50%** from **Rs. 2 crores in 2009 to Rs. 3 crores at end of 2011**.

Along with the PC-based internet access, the mobile-based internet access is expected to drive the growth of **B2C** and **C2C** e-Commerce industry in the overall Pakistani cities. With the increase in the **mobile subscribers**, there has been a rise in digital downloads to the mobile phone. With the surge in mobile penetration and usage of **GRPS enabled mobile handsets**, the size of digital downloads market is expected to rise from **Rs. 7 crores in 2009 to Rs. 11 crores at end of 2011**.

Still Pakistani customer is shy to purchase over internet or online. They still need to get awareness or can be said still issues are there to be solved like security and ethics especially with Sukkur citizens aged 25 to 35.

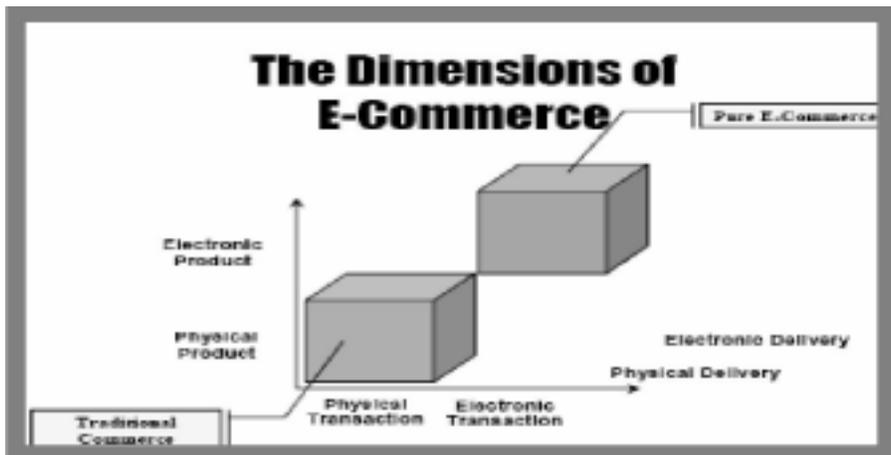
E-retailing is thought as one of the fastest growing retailing forms taking convenience to an entire new level where a consumer can make a purchase from anywhere at any time, regardless of the nature of the product and the distance from the

marketer or supplier. E-retailing is the process whereby consumers directly buy goods or services from a seller in real-time, without an intermediary service, over the internet.

An online shop, e-shop, e-store, internet shop, web-shop, web-store, online store, or virtual store; are a few common names analogous to online formats for shopping. These days on line retailing is attracting many customers in many countries and in some cases like Dell Computers, Amazon.com and e-bay has already established a remarkable success and world wide popularity. With the invention of new and advanced technology of Internet, many retailers have now moved towards the online retailing. Many of the retailers who perform their businesses primarily through physical stores, in addition have now added this new format of online retailing in their operations.

For example, Dell, Apple and many more companies serve their customers through both the modes Online retailing has already evolved and accepted at large in many developed countries such as United States, U.K. and Europe; but in **PAKISTAN**, it is still in the evolving phase in remote areas like Sukkur The present study is aimed with the basic objective of knowing the customer behavior towards E-retailing and the future prospects of this retail format in Pakistan and in Sukkur.

Since Internet has the ability to reach the customer's home; the Distribution Channel has started to assume new meaning to the B2C and C2C e-Marketer. The Physical delivery got converted to electronic delivery; physical products were now electronic products, displayed on a website. With options of paying online through debit and credit cards, even the transaction was purely electronic.



Online Retailing - Adoption, Requirements and Attitudes Ahead of television or catalogue shopping, Internet shopping, otherwise known as online retailing or e-tailing, represents the most rapidly emerging form of non-store retailing today. Current advancements and innovations within the field of non-store retailing have drastically

escalated the pressures of competition endured by many traditional store retailers. Pure e-retailers (e.g. Amazon), in particular, that lack physical stores and promote and sell directly to customers via the Internet, pose a continual threat to traditional, store retailers by quickly penetrating global markets and seizing significant amounts of market share. When knowing who is more likely to do shopping via the Internet, researchers' results and opinions are mixed. Some argue that this is based upon certain demographic factors (e.g. age, income, education, etc.), others observed as though such factors are not nearly as significant as one's behavior towards technology. Additionally, older users of the Internet generally prefer to shop online more so than younger users, even though younger users report greater hedonic and utilitarian advantages associated with it.

Usage of E-Commerce

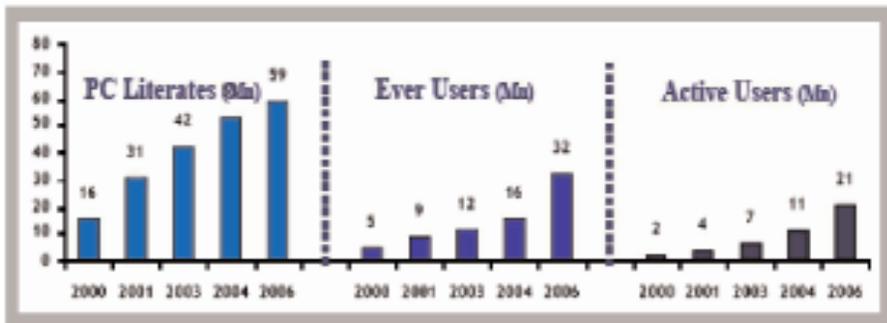
According to the survey conducted among the Industry players, the E-Commerce Industry in Pakistan was worth **Rs 100 crores at the end of 2011**. Is it big enough? How much is it expected to grow?

The adoption and usage of E-Commerce in the country is a function of the overall environment for Internet usage in a country. To correctly understand the likely growth path for E-Commerce in Pakistan or in Sukkur it is imperative to understand the internet ecosystem in the country.

Some of the key variables that need to be understood are the proportion of

1. computer literates,
2. internet penetration,
3. frequency of access to the internet,
4. purpose of internet access etc.

A correct mapping of these would help understanding the overall framework of E-Commerce in the country.



Source: I-Cube 2006, Syndicated Research of e-Technology Group@IMRB, March 2006

The PC literate population is on a fast growth curve having grown 90% in 2007 over 2009. Though in Pakistan overall penetration is still low. The

important factor is that a critical mass of users is shaping up which will fuel rapid growth over the next 3-4 years.

A Claimed or Ever Internet User is defined as one who has ever accessed internet.

As these internet users mature with respect to exposure and awareness of internet, they tend to spend more time online; access internet more frequently and surf non-communication based applications and advanced online applications like gaming, E-Commerce, etc. However, as it is evident from the charts below, E-Commerce is still not the key driver of the internet.

Thus, E-Commerce is surely being adopted by the internet users as a way to shop. They are buying a variety of products online and visiting various websites to buy products from. Given the rate of growth in E-Commerce users, size of the E-Commerce industry is expected to reach Rs. 125 crores at the end of 2012, a big jump of 30% over the current industry size.

Experiential Aspects of E-Shopping in Pakistan

For decades, retailers and researchers have been aware that shopping is not just a matter of obtaining tangible products but also about experience, enjoyment and entertainment.

Triggers and Barriers for the E-Commerce market in Pakistan

In addition to the industry size, it is imperative to understand the reasons behind the growth and reasons hampering the growth of E-Commerce industry in the country. This section elaborates the triggers and barriers that effect the adoption of E-Commerce by the Internet users

We would start by enlisting the triggers which motivate the online shoppers to buy products online.

Top 6 reasons given by shoppers in buying through Internet	Rank
Saves time and efforts	1
Convenience of shopping at home	2
Wide variety / range of products are available	3
Good discounts / lower prices	4
Get detailed information of the product	5
You can compare various models / brands	6

As evident from the table above, time saving is the major reason that drives Internet users to shop online. It is followed by convenience of any place, anytime shopping online.

Top 6 concerns while buying online	Rank
Not sure of product quality	1
Cannot bargain/Negotiate	2
Not sure of security of transactions /Credit card misuse	3
Need to touch and feel the product	4
Significant discounts are not there	5
Have to wait for delivery	6

Absence of touch-feel-try creates concerns over the quality of the product on offer. Another roadblock in the way of E-Commerce is lack of interactivity so as to allow for negotiations between the buyer and sellers.

There is no doubt that Internet shopping has a number of benefits to offer. With changing lifestyles, E-Commerce is surely the most appealing and convenient means of shopping. However, the grave issues surrounding the market do not make it the “choice” of most of the Internet users. Addressing the above specified issues, thus, has become critical to expand beyond the current user base.

Categorization of Internet Users

According to the data of total 2 Million Active Internet Users in March 2006 (Source: I-Cube 2006), around 53% have looked for information on travel while 27% are likely to look for information on travel services online. Though, only 10% of the Internet Users have booked air tickets rail tickets or hotel rooms in last six months, only, 22% are likely to avail these services in the near future.

In I-Cube 2006, a survey done among internet users, details of products bought by them online in last 6 months were captured along with the details of products they are likely to look information for and the products they are likely to purchase. On analysis of the data, following trends were observed:

Category	Sub-Category	Looked for Information	Will look for Information	Bought in last 6 months	Will buy in future
Travel	Railway Tickets	31.62%	18.06%	8.25%	15.76%
	Air Tickets	16.16%	7.13%	2.39%	5.21%
	Hotel Reservation	5.41%	1.46%	0.26%	0.99%
	TOTAL	53.19%	26.65%	10.90%	21.96%

Digital Downloads	Ringtone Download	18.58%	11.04%	2.11%	8.11%
	Games Download	13.55%	8.54%	1.78%	5.85%
	Music/Video Download	11.54%	5.96%	1.42%	4.31%
	Picture Messages/Wallpaper Download	8.28%	5.14%	0.34%	3.37%
	TOTAL	51.95%	30.68%	5.65%	21.64%

Classifieds	Matrimonial Services	5.53%	2.16%	0.69%	1.34%
	Jobs	7.77%	3.45%	0.95%	2.09%
	TOTAL	13.30%	5.61%	1.64%	3.43%

e-Retailing	Food, Home Provision & Grocery	8.04%	2.89%	0.32%	1.53%
	Automobile (Car/Motorcycle)	10.68%	4.27%	0.26%	2.08%
	Home Electronics (Audio System, TV, Cell Phone)	9.89%	4.24%	0.49%	2.05%
	Home Appliances (AC, Fridge, Washing M/c etc.)	7.43%	2.80%	0.18%	1.00%
	Computer/Notebook/Laptop	10.13%	4.74%	0.37%	2.51%
	sComputer Peripherals (Printer, Mouse etc.)	6.76%	2.99%	0.35%	1.56%
	Computer Software	10.02%	5.77%	0.47%	2.84%
	Books	14.41%	9.05%	1.13%	6.64%
	TOTAL	124.48%	55.36%	6.34%	31.99%

In future, only 3.4% of the total Internet Users interviewed is expected to avail paid classifieds service online.

USER CATERGORY	CHARACTORISTICS
Conventional	People who shop in Brick and Mortar stores
Looked for Information (LFIs)	People who browse for information but do not shop
Apprehensive	People who will not shop on the net unless their concerns are addressed
Enthusiasts	People who are willing to try out

Though majority of internet users look for information on various product categories online, a relatively smaller portion of them actually buy online.

Some of the reasons to explain this behavior are:

1. Apprehensions with paying online
2. Lack of touch-feel-try

3. Concern with authenticity of seller and products sold online
4. Time lag between placing order and delivery of the product
5. Increase in the number of buyers and sellers
6. Change in the customer's attitude
7. Convenience
9. Better bargains

Highlights of the Study

Brand, navigation, fulfillment, presentation, up-to-date technology and the logos of security-guaranteeing firms constitute the essential formal characteristics of web sites that communicate trustworthiness to visitors.

Effective Navigation is generally a Precondition to Communicating e-Commerce Trust and the Perception that Sites Meet Consumer Needs.

The Most Trusted Web Brands Are Well-Known Brands...

Seven of the 12 most trusted brand names in e-commerce originated on the web. Regardless of where a brand established itself, however, one key aspect of establishing trust with consumers is the reputation of a brand, together, in many cases, with personal experience. So lack of trust was seen while collecting secondary and primary data.

Perceived e-shopping benefits, e-shopping intention and attitude toward e-shopping.

There is no obvious literature for supporting the relationship between perceived benefit and e-shopping intention. But, there is a concept that has a close meaning to perceived benefit. Perceived usefulness (PU) is a construct that appeared in Technology Acceptance literature. Other benefits coded while collecting data are as follows:

Better searching

Low price

Rich information

More choice: e-Shop is open 365/7/24 and is closed only in the time of technical errors.

Time saving

Network speed

IT education and Internet usage

- Ubiquity

- Customized Products and Services
- Instant Delivery
- Electronic Communities
- No Sales Tax

Benefits to Society

- Telecommuting
- Higher Standard of Living
- Homeland Security
- Hope for the Poor
- Availability of Public Services

E-Commerce: Barriers to It's Growth in Pakistan and In Sukkur

Misconceptions About E-Commerce in Pakistan Most people in Pakistan have developed wrong conception of E-commerce. They take a very limited view of E-commerce, restricting it to only those products which may be “digitalized” and transmitted online through internet and the payments for which is also made online through credit cards.

This narrow view excludes the other three main functions of E-commerce outlined above i.e., attracting new customers, serving existing customers, and developing new markets and distribution channels for existing products. This misconception is among the main reasons that have held most Pakistani entrepreneurs with existing conventional business back from entry into the ‘cyberspace’.

2. **Mistrust:** Among the most important impediments to the growth of E-commerce in Pakistan is the issue of trust. Counterfeiting and distribution of below par products in face-to-face transactions is a common problem in the country. How can people be expected to trust the sellers whom they do not know, and who would deliver goods online/offline after the payment is made.

The issue of trust is further aggravated by the lack of confidence people have with respect to the security and privacy of their personal information like credit cards, home addresses, phone numbers etc. The emergence of trustworthy web-based companies, with support/guarantees from Government or trustworthy multinational companies, in the county is required to dispel these fears of the consumers.

3. **Traditionalist Nature of Pakistani Society:** A large number of people in Pakistan will take a long time to come round to the idea that they can order goods and make payments through internet from their homes without physically going out. This is due to the fact that on-site commerce has a

socializing effect, which is altogether absent from E-commerce. In a strong relationship-oriented society like Pakistan, people tend to form individual relationships and long term associations with the businessmen and vendors.

4. **Low Literacy Rate** The literacy rate of the country, according to official figures, is around 54 per cent. Out of these 54 per cent literate people, at least 50 per cent, are computer illiterate. Thus, with around 75 per cent of the population without computer literacy, the growth of E-commerce in the country cannot be expected to progress at any faster pace.
5. **Access to Technology:** In order to undertake E-commerce transactions, one must be connected to the World Wide Web, for which possession of a personal computer (PC) or a laptop is a basic requirement. Although the prices of computer hardware have declined in the past few years, yet a personal computer is still not affordable by vast majority of the people of the country. Besides a personal computer, a telephone line or cable line are also required for a user to get connected to the World Wide Web. Thus, high costs of computer hardware are proving to be a bottleneck to the growth of the E-commerce in the country.
6. **Access to Internet Services:** It is true that in the past few years there has been a significant increase in the number of internet users in Pakistan, with some observers claiming that in Pakistan the internet access is now available to 800+ cities, towns and villages covering almost 97 per cent of the population.
7. **Lack Of E-Transaction Support In Pakistan:** Online payment systems are an essential part of e-commerce, which require, inter alia, possession of personal credit cards by consumers. However, few people in Pakistan have personal credit cards. Among the various reasons people avoid getting credit cards from banks include possibility of unnecessarily getting into the debt trap.
8. **Poor Transportation/Distribution Channels:** An essential part of e-commerce is establishment of cheap, quick and reliable transportation channels for the physical distribution of those products which cannot be digitalized and distributed online. In Pakistan, the Pakistan Postal Service, despite its extensive network and large number of employees is inefficient, to say the least; hence, unreliable. The private courier services, on the other hand, are expensive.

In the absence of any reliable and economical distribution channel, the web-based companies in Pakistan will be faced with the challenge of delivering their products at the doorstep of their consumers without adding the price of the product.

Results:

Findings of the study show that in general people have positive attitude for online shopping. For certain reasons they prefer shopping online, but not for all the products.

They prefer online mode to shop for specific range of products. In the context of Sukkur results show that people have interest in online shopping but there are a few serious issues of customers, if shopkeeper and business owner take care of these issues while designing their websites, and while marketing mix manipulations then people in Sukkur will start purchasing more goods and services using e-commerce and M-commerce channel.

Brand Strength

	<u>Company</u>	<u>Mind Share(1)</u>
1	<u>Amazon.com</u>	24.1%
2	<u>eBay.com</u>	16.1%
3	<u>Yahoo.com</u>	4.9%
4	<u>priceline.com</u>	2.7%
5	<u>buy.com</u>	1.9%
6	<u>Barnesandnoble.com</u>	1.8%
7	<u>CDNow.com</u>	1.3%
8	<u>AOL.com</u>	1.1%
9	<u>Egghead.com</u>	1.0%

1. Mind Share = the percent of Internet users for whom the site first came to mind when asked to think of Web sites that sell products or services over the Internet
2. Purchaser Share = the percent of online buyers that brought from the site

Top Problems Experienced by Online Retailers:

Source: Ghori departmental store in Sukkur

<u>Problem Description</u>	<u>%</u>
1. Gift wanted to purchase was out of stock	64
2. Product was not delivered on time	40
3. Paid too much for delivery	38
4. Connection or download trouble	36
5. Didn't receive confirmation or status report on purchase	28
6. Selections were limited	27
7. Website difficult to navigate	26
8. Website didn't provide information needed to make purchase	25
9. Prices not competitive	22

The Future of E-Commerce in Pakistan

E-Commerce is the future of shopping. Thus, it would be apt to quote "The future is here. It's just not widely distributed yet"- William Gibson

The Internet economy will continue to grow robustly; Internet users would buy more products and buy more frequently online ; both new and established companies will reap profits online; and...

M-Commerce

E-Commerce is synonymous with PC and browser-based interaction. However, in the near future GPRS-enabled mobile phones will rule the online transactions. Today, online downloads to mobile phones is limited to low value services like music downloads, picture message downloads and ringtone downloads. However, as the mobile users get more familiar with buying online, the purchase of high-involvement products is expected to rise. Certain verticals like Banking and Finance, Travel, Entertainment, and Retail are likely to drive the growth of m-Commerce in Pakistan and in Sukkur

Challenges

With process of economic globalization and regional economic integration advancing, the rapid development of Internet technology, rapid technological innovation, the degree, complex, dynamics of collaboration between enterprises continues to improve, and all of which demand for e-commerce more and more. Under these new circumstances, challenges which the traditional e-commerce faced were mainly embodied in the following aspects in Sukkur market

1. Technical deficiency
2. Complex search
3. Trust building
4. Marketing mix and Trends

Conclusion:

I have tried to identify all the above relevant issues in this paper, which cover the determinants responsible for positive, as well as negative behavior of customers for online shopping. The results of the study give path way to businessmen to consider the revealed issues for making online retailing successful, which saves time and cost and create greater value to customers. Also this study highlights the fact that online mode can be used effectively as a tool for CRM.

This paper analyses the initial effects and relationships between consumer attitudes and Internet-based e-shopping. We were able to sample Internet B2C and B2B and to some extent C2C e-commerce.

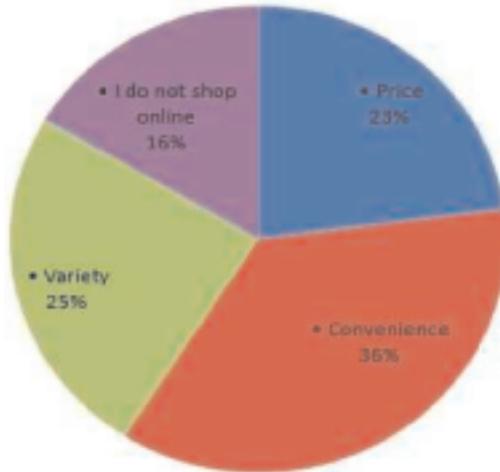
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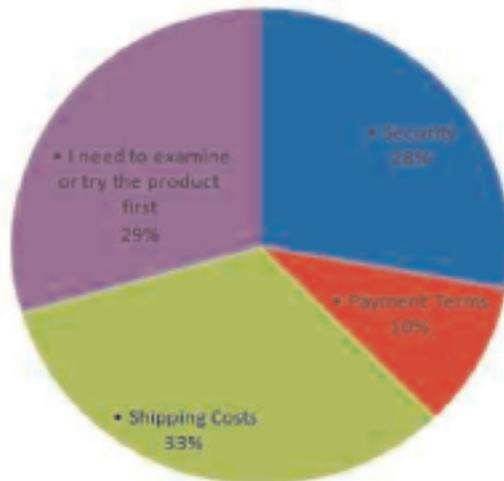
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Appendix

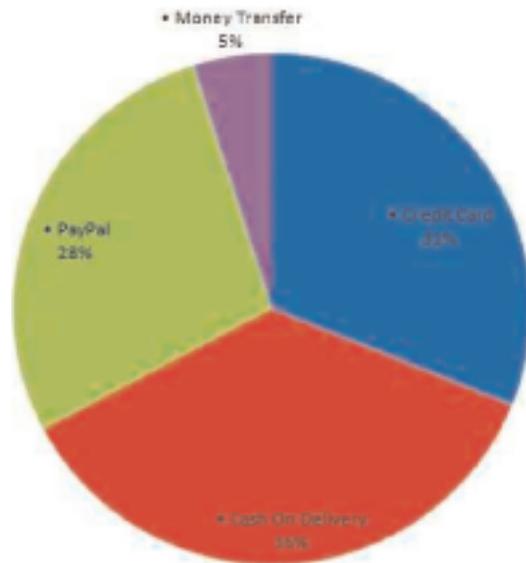
Main Purchase Reason



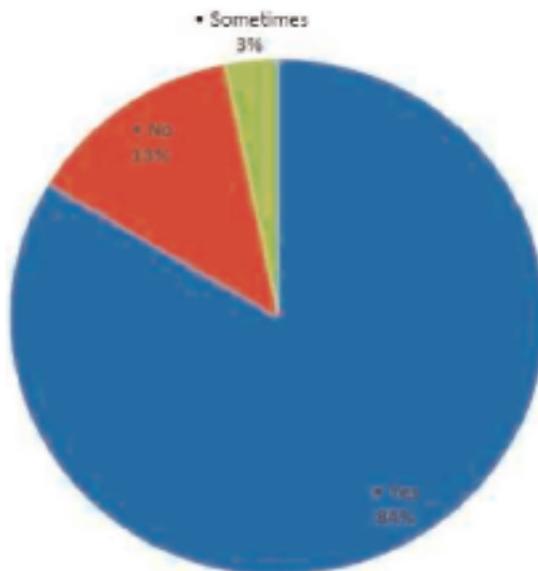
Hesitation Reasons to Buy Online



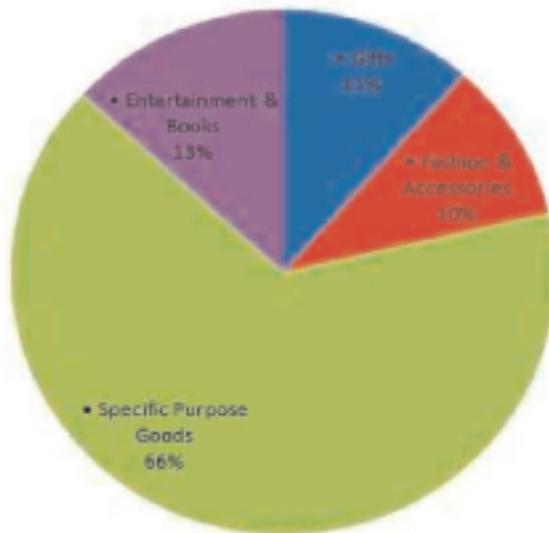
Favourite Payment Method



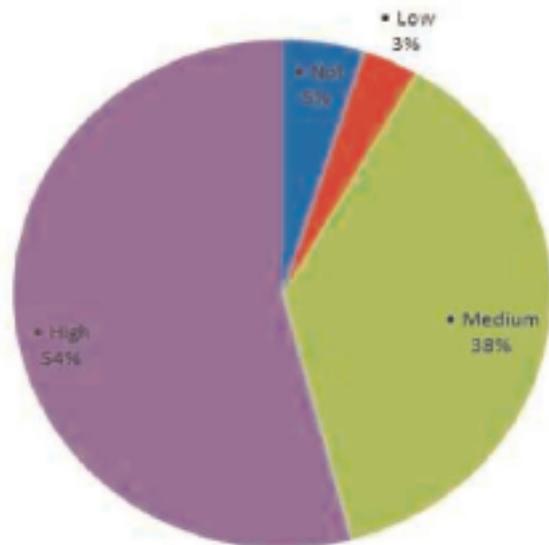
Trustes Website Purchases



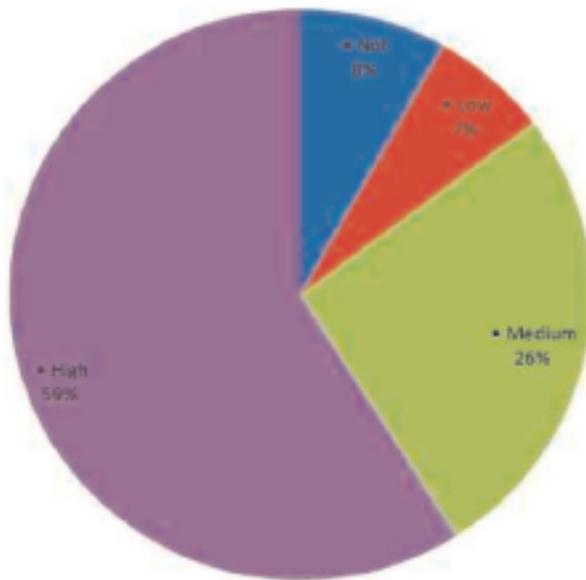
Most Likey Item To Purchase Online



Importance Of a Wbsite Appearance



Importance of Product Variety



Global Financial Crisis and its Impact on Textile Industry in Pakistan

Muhammad Bachal Jamali*
Dr Waseemuddin**

Abstract

This study investigates the global financial crisis and its impact on textile industry in Pakistan. It examines the nature and application of WTO and identifies its operative tariff and non-tariff instruments. By doing so, it intends to trace out the place of Pakistan in the world market in comparison to its competitors. The study concludes that the pattern of trade preferences and WTO grants do not necessarily guarantee success in the export performance of the recipients. Finally, the study highlights two very important features of Pakistan's exports i.e., high concentration both country and commodity-wise and projected a fierce competition due to trade liberalization under the WTO. These changes would carry both, immense potential opportunities and serious threats for Pakistan in the years to come. The study suggested that augmented competitiveness of firms would be the key to success. The truism holds that it is the firm, not the country, to compete in the changing international trading environment. This calls for the adoption of a properly designed strategy by the government and firms with a clear vision, hope, motivation and passion. So, government should provide friendly investment/production and exporting environment, encouraging firms to compete on the internal and external grounds. And firms need to create access, absorb, and adapt new technologies to compete world market.

Key words: Global Financial, Crisis, Textile, Industry

1.0 Introduction

The IPP of urea was not estimated as it was not imported in the country in bulk quantity during the study period. The IPP of DAP and Potash was prepared on the basis of f.o.b. price (ex-USA) and by considering all handling, transportation, marketing charges on the port on the way to farmer's fields. In the calculation of social parity prices, shadow exchange rate (SER) was utilized instead of official exchange rate (OER). The tradable inputs which are not measured at import parity prices, all are weighted by SER to express their opportunity cost. In the past, cotton production and marketing was subjected to many public policy interventions. The Cotton Export Corporation was phased out and cotton economy was freed in the 1990's. With the advent of trade liberalization, most of interventions have declined. The support price policy is

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notional and the Trading Corporation of Pakistan (TCP) is kept as third buyer in order to avoid price crash due to cartelization of powerful syndicates especially during the bumper crop, but the TCP works as a sleeping buyer.

The results of static analysis showed that farmers are earning more profit at world price of cotton than at domestic price of cotton. It was concluded that cotton crop was under-priced in the local market and farmers are in a cost-price squeeze situation. The farmers were paying almost the world prices and no support or subsidy was provided to cotton growers for inputs. The study showed that Pakistan has comparative advantage in cotton production and can well compete in open market. The dynamic analysis was carried out to estimate the competitiveness of cotton in the ensuing free trade era. Here the cotton budget at economic prices was estimated including risk prices of cotton and fertilizers instead of average world prices. These risk prices were generated through normal distribution of time series world prices of cotton and other critical inputs over the past fifteen years. The simulation results provided the economic revenue and tradable cost for the first year of free trade i.e. 2004-05. For further four years (up to 2008) projections were made based on this first result, by adding in the risk price as error term for each year. The risk analysis at future risk price for five years showed that Pakistan does have the potential to compete in the free trade cotton market. The existing comparative advantage in cotton production will be maintained by the country. Pakistan can further reap the benefits of free trade by reducing the cost of production or by increasing productivity per unit of resources. The quality of a lot of cotton is damaged in the fields during the picking of produce. The obsolete ginning machines deteriorate the micron air length of fiber. The quality of cotton may be improved through “clean picking” and “better ginning” practices.

Although restriction of import is contrary to free trade, yet its import during bumper cotton crop could crash prices received by farmers. Thus import should be regulated by increasing the LC margin by improving marketing efficiency and qualifying the quality standards of produce set by the WTO. The importance of cotton can hardly be over emphasized in the economy of Pakistan. Pakistan is one of the ancient homes of cultivated cotton, 4th largest producer of cotton, the 3rd largest exporter of raw cotton and a leading exporter of yarn in the world. Pakistan is, by and large, a mono-crop economy as cotton contributes nearly 10 per cent in the agriculture GDP and a source of 60 per cent foreign exchange earnings. The value addition through cotton is 8.2 per cent in agriculture and 2 per cent in the GDP. Cotton is not only an export-earning crop but also provides raw material to local textile industry. A profound investment in the form of over 1000 ginning factories, over 400, textile mills heavily depends upon cotton. The area under cotton has increased from 2.836 million hectares in 1991-92 to 2.989 million hectares in 2003-

04 showing a growth rate of 0.43 per cent over the period. The production jumped from 1.1 million bales in the year 1947 to 12.8 million bales in 1991-92. Since then cotton production is swinging between 8 million bales to 11.2 million bales with an annual average of 9.5 million bales. The global economic scenario is set for change under the free trade regime. Pakistan had signed the WTO and has entered in free trade era with the dawn of year 2005. The WTO had set many clauses under its various agreements like the Agreement on Agriculture (AOA), the Trade Related Intellectual Property Rights (TRIPS) and Sanitary and Phytosanitary (SPS) etc.

Cotton along with its products is the biggest foreign exchange earner for Pakistan and is more likely to be affected through WTO regulations. This requires a profound change in the economic policies to maintain a stable share of raw cotton and its product in world market in coming scenario.

In view of the importance of this silver fiber in the economy of Pakistan, authors conducted a study to estimate its competitiveness and comparative advantage in both current and future scenario. In the static analysis, the cost of production (COP) data of cotton were collected from Agricultural Prices Commission (APCom) for the three year period from 2000-01 to 2002-03. The average financial budget of cotton was developed using the three year average of COP data and market prices of seed cotton. The social budget of cotton was developed using the economic prices of cotton and inputs. The economic or export parity price (EPP) of cotton was estimated by taking the three year average price of CIF North-Europe cotton as Pakistan exports most of cotton to this region. From the fertilizers the import parity price (IPP) of DAP and Murate of Potash were estimated.

The aim of this research is summed up in its title. It intends to look into the trade implications for Pakistan posed by the WTO. The process of globalisation is one of the most important characteristic aspects of worldwide economic development. Globalisation has had a direct and profound influence on the economies of members of WTO as well as non-member states.

Since 1947, the different agreements on Cotton and clothing have been developed successfully with the two most important notions of economic integration, i.e., deepening and widening. The agreement with ATC (Agreement on Cotton and Clothing) has shown a remarkable dynamism in both of these areas. It has gradually extended its field of activity and intensified its involvement in already existing GATT rules. It has been successful in integrating its goods, services, and capital markets by creating a single market. Since the first agreement on Cotton and Clothing i.e. GATT, some other agreements like MFA, LTA, and STA have also been practiced. Although most of the agreements were developed to

protect the Cotton sector of developed countries, they also have great importance in Cotton history. WTO is the modern shape of GATT 1947 which has come a long way since then. EU is the biggest economic bloc in the world economy today and it is the largest trading partner of Pakistan, accounting for around one third of the country's total trade. This makes it, as a block, the most prominent trading partner of the country. The widening aspects of EU from EU15 to EU25 have raised doubts about the future of Pakistan's trade with the enlarged market of EU25. Hence, this study on one hand is about the impact of WTO on Cotton sector of Pakistan and on the other hand it devoted to the exploration of trade implications confronted by Pakistan due to the enlargement of EU from EU15 to EU25.

After removal of quotas and tariffs due to implementation of WTO rules, the economies of different countries will be affected positively and negatively according to their potential. How has this globalisation affected Pakistan's export flows to the enlarged market? Has the enlargement resulted in any trade diversion of imports from Pakistan? What are the possible long-term dynamic trade implications of globalisation for Pakistan's exports to the world Cotton market? The study intends to explore these implications and to provide empirical evidences. The study will also appraise the EU's external trade regime and enquire if it has caused any trade diversion from Pakistan in favour of its competitor developing countries having more 'special and preferential' trading arrangements with the EU25 at the cost of Pakistan.

Table 1.1: Growth Rates of GDP and its Components

Year	Commodity Producing			Services sector	GDP %
	Agriculture	Mining & Quarrying	Manufacturing		
1949-60	1.7	10.4	7.8	3.9	3.1
1960-70	5.1	8.5	9.9	7.5	6.8
1970-77	1.6	4.2	3.8	5.9	4
1977-82	4	8.3	10.6	7.4	6.8
1982-88	3.8	10.5	7.6	7.5	6.5
1988-90	4.1	10.1	7.9	7.4	6.5
1990-95	4.84	4	5.54	5.2	5.18
1995-99	3.76	4.4	2.02	4.85	4.71
1999-00	6.09	3.67	1.53	4.15	3.91
2000-01	-2.2	0.5	9.3	3.1	1.8
2001-02	0.12	1.3	5.5	4.8	3.12
2002-03	4.09	4.9	6.91	5.3	5.13
2003-04	2.2	6.9	14.1	6	6.44
2004-05 p	7.6	8.9	12.5	7.9	8.23

Source: *Economic Survey of Pakistan, Various Issues*

Note: services include construction, electricity and gas, trade, transport, finance and insurance, ownership and dwelling, public administration and defence and 'other' services.

It seems that the frequent changes in government policies arising from the changes in government these years affected the performance of the economy adversely. Among others, not only weather unpredictability, pests, disease, and other natural disasters harm crops production but also inconsistent agriculture policies of government made it worse. Due to such a considerable share of agriculture in the economy, agriculture production is highly correlated to Pakistan's overall economic performance (Ali and Bari, 2000). When the agriculture sector has performed well, the GDP has been elevated and vice versa. Agriculture sector supplies raw material for the Cotton sector as well for sugar mill. Agriculture is not only important for its contribution to GDP but due to its forward linkage effect. However, at the aggregate level the performance of the economy seems not to be so bleak. During the period under study the economy grew on average greater than 5% as the data reflects. Even today, the agricultural sector is the major contributor in the economy accounting for 25% of the GDP, absorbing more than half of country's total labour force and providing more than 70 % of country's foreign exchange earnings.

Similarly, Table 1.2 shows the composition of country's GDP and the share of major sectors in its composition. As discussed above, the agriculture sector provides a lion's share in the composition of GDP accounting for more than 25 % of total GDP. While the share of industrial sectors is around 18 %, the services sectors account for 53 % in 2005. However, the examination of data reflects the declining share of the agriculture in the country's GDP, while the share of industry seems to be stagnant. On the other hand, the services sectors are gaining the losing share of the agricultural sector.

Table 1.2: Distribution of Sectoral Share in GDP (%age)

Years	Agriculture	Manufacturing	Services	Others	Total
1949-50	53.2	7.8	25.15	13.85	100
1959-60	45.8	12	35.21	6.99	100
1969-70	38.9	16	40.2	4.9	100
1979-80	30.6	17	45.04	7.36	100
1990-91	25.68	17.71	48.45	8.16	100
1994-95	24.65	18.17	48.77	8.41	100
1999-00	25.93	16.69	49.06	8.32	100
2000-01	25.1	15.9	51.8	7.2	100
2001-02	24.4	16.1	52.7	6.8	100
2002-03	24.2	16.4	52.9	6.5	100
2003-04	23.3	17.6	52.6	6.5	100
2004-05	23.10p	18.30p	52.40p	6.2	100

Source: *Economic Survey of Pakistan, Various Issues*

On the basis of the above facts, we may conclude that Pakistan's development experience has been remarkable. Its economic record measured both in terms of growth rates and increase in per capita income despite a quadruple increase in population shows encouraging trends. A good structural transformation in the structure of the economy has taken place from the predominantly agrarian to a more diversified production structure. The country's integration with the international economy has been fairly rapid and the positive effects of adoption of liberalization and deregulation policies have been pouring in.

1.3 The Evolution of Economic Development Policies of Pakistan

In the early years, country's economic policy was shaped according to the immediate needs of the economy. Key aspects of economic policy were expansion of industrial base, establishment of institution, infrastructure building and provide extra protection to infant industries. But the excessive protection to industry severely harmed market economy by distorted economic incentives for both agriculture and industrial sectors. Moreover, the policy regime was branded by an excessive dependence on economic controls in the form of industrial licensing, administered prices and other regulations.

During the first half of 1950s, government adapted pro-industrial policy and neglected the agriculture sector. Subsequently, low growth rate of agriculture not only exposed the flaws of economic policy but shortage of food emerged. In the later half of 1950s government began to pay more attention on the development of agriculture sector to rectify these problems. Government announced a thorough strategy for development of agriculture sector in 1956. The key points of new policy were to provide fertilizer at subsidies rate, to distribute better seeds, pest control scheme, and control of salinity and water-logging. However, these policies were not properly implemented due to change of priorities in first five years plan (1955-60) and political instability.

Strict price and profit controls policy in the form of administered price and controlled profit was implemented in the early 1960s but government soon realized that this policy is weakening the incentives to expand production. To promote industrial growth government constructed number of policies like maintaining an over-valued exchange rate to guarantee the cheap availability of capital goods, and by keeping prices of agriculture inputs below to international market prices to ensure handiness of economical domestic inputs to industrial sector. Furthermore, policy of import controls and tariffs, tax holidays, and

availability of loans at low rates and introduction of Export Bonus Scheme¹, which subsidized manufactured goods exports through a system of vouchers (Kemal, 1978), were introduced to help industrialization drive.

Litrature Review

The liberalization began with trade between high-income countries and spread gradually to capital flows (Quiros, 2004). Bhagwati defines globalisation as an economic integration, trade, movement of capital, and the inter-weaving of national economies. Also it is defined as, the coordination of economic trade, fiscal and monetary policies among countries (IMF). If not globalization then the question is: are trade sanctions the way to do it? If we want the solution then this is not the way to go because if you start doing it through trade sanctions, you immediately put up people's backs. It's very difficult for poor countries to throw stones at big countries. So it becomes asymmetric and, therefore, people resent it, particularly at this time when the United States has achieved hyper-power status, has gone into the war in Iraq. For us to take up these attitudes saying that we are going to impose something on you in the developing world, when we ourselves are flawed on other dimensions just does not make sense.

There are also broader cultural, political and environmental dimensions of globalisation that are not covered here. The dictionary definition is a great deal drier. Globalisation is the "process enabling financial and investment markets to operate internationally, largely as a result of deregulation and improved communications" (Collins) or - from the US - to "make worldwide in scope or application" (Webster). The financial markets, however, are where the story begins. (Jeffery, 2002)

After 1950s, the roots of globalisation were found in a firm attack on the barriers starting from the movement of goods, services, and capital to the free flow of individuals.

Although Wolf is a major supporter of economic integration but he does not consider economic liberalisation as enough. He considers that poor nations are often unsuccessful economies but the developed country can play an important role in promoting prosperity. Moreover he considers security of property rights and the rule of law very important because in their absence economic integration cannot bring prosperity. Not only good economic policies and open markets but also good governance and a credible, predictable, transparent, and consistent institutional framework are necessary for market economy, both over

¹This Bonus Voucher often carried a high premium in the market as were automatically issued against the voucher. More than 80% of the local export subsidies import licenses were accounted for this scheme.

time and across activities. The state exists to serve its citizens and is duty-bound to protect them from harm, including from itself. We will only have more and better globalisation if we have better states (The Complete Review).

Does freer trade help or does it harm? These are the kinds of issues which we economists discuss. Should we be pushing for this or that kind of reform or is it really deformed? But there is a sway of social issues like that which we economists do actually consider. And so a lot of people on the anti-globalisation side really feel that these are the issues which worry us as citizens and as human beings. So they may concede in many cases that globalisation is increasing the size of the pie and that, as far as increasing prosperity is concerned, it is fine. But when it comes to all the issues that really matter to us citizens, what I have just generally called social implications, globalisation is a malign force, not a benign force at all (IMF).

We also have to be very careful about the downsides of globalisation, says Bhagwati. The real problem is buying off or compensating or helping workers to adjust to import competition. The advanced countries have been doing it ever since Kennedy's time. Every trade act has had trade adjustment assistance programs and so on. But the poor countries that are just beginning to liberalize do not have any adjustment assistance programs. That's where the leaders of the poor countries simply cannot hack it. So who's going to finance adjustment programs in many countries? And that's where according to Bhagwati he has been arguing in particular for many years that the World Bank could be of assistance. Trade liberalization is not always associated with an external payments problem, but it's good to have more assistance in case there's a balance of payments implication.

Results

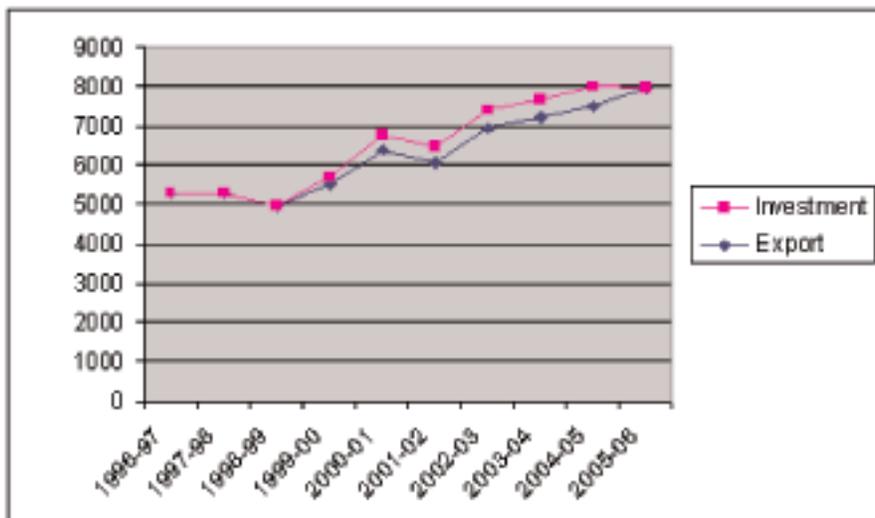
Although the cotton sector showed a reasonable performance in all sectors of Cotton and Clothing but in 1998 it suddenly fell down due to two major reasons, first the domestic crop in Pakistan was badly affected by curl virus and weather. More over Pakistan was still depending on cotton fibre instead of MMF (man made fibre), which increased the problem. Secondly due to experiment of atomic explosion, certain countries posed sanctions on Pakistan especially USA which was a major importer of Pakistan. More over Pakistan was still depending on old importers instead of looking for new markets. Moreover progress in value added goods were not impressive.

Due to poor performance during 1998 government learned the lesson and encourage the industry for MMF. In 1998 industry was using 18% MMF of

total cotton fibre consumption while it increased to 22% in 1999. More over duty on certain inputs was reduced. In 1999 the cotton industry showed a better performance. There were three reasons for this. One was that due to reduction of quota, cotton export of Pakistan increased. Secondly, product differentiation and shift towards more value added things increased the total volume of exports. Another very important factor which helped the cotton industry to move faster was the new investment in the cotton industry. Although most of the investment was made to upgrade the existing technology but new machinery was also imported. As a result the cotton machinery imports have risen by 218 per cent in 1999-2000 (see figure 5.4). Although this investment did not replace all of the old machinery with advanced but still it is a good sign for the sector. If we look at the table 5.7, we will come to know that due to better technology, there is an impressive progress in all sectors of this industry. The picture becomes clearer if we look at the figure 5.6 and table 5.8 which show the correlation between investment and performance. The matrix of table 5.8 shows positive correlation between investment and overall performance. More investment in new technology leads better performance. The most important thing during this period was that all of the investment was made in value added goods (APTMA).

Figure 5.6: Correlation between Export Performance and Investment (In 2000-01 Prices)

(Million US \$)



Source: All Pakistan Cotton Mills Association

*Average Exchange Rate During Base Year (2000-01) was \$1=Rs.58.58

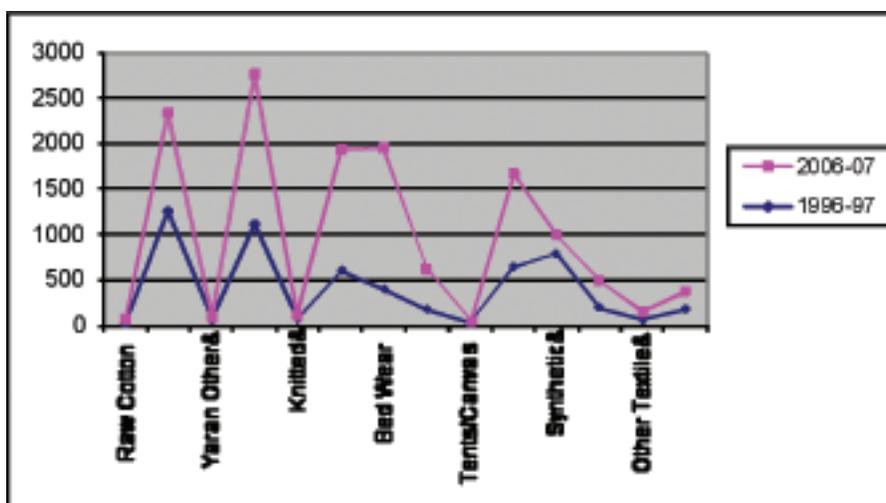
Table 5.8: Correlation Matrix: Overall Exports Vs. Investment

	Investment	Export
Investment	1.000	0.849
Export	0.849	1.000

Again 2003-04 cotton crop of Pakistan was hit by drought but due to shift of the cotton sector towards value added and product differentiation it only affected the export of raw cotton. The data presented in table 5.7 and figure 5.7 indicate that the overall performance of the industry is very good and except few categories (which are lesser value added) industry showed a better performance.

Figure 5.7: Growth of Cotton Exports from 1996 to 2006-07*

(Million US \$)



Source: Ministry of Cotton, Pakistan

*This Figure is Based on Table 5.7. Average Exchange Rate During Base Year (2000-01) was \$1=Rs.58.58

The above discussion indicates that the exports of the cotton industry are directly correlated with cotton production, product differentiation and technology (for more details see tables of correlation in appendix 1). If the industry is product differentiated it has more choices to export more products. With advance technology the cost of production decreases along with improvement in quality. More over better cotton crop guarantees the availability of input at home which results into better performance. Although industry is trying to rely on MMF, but due to easy availability of cheap cotton major portion of industry still depend on local cotton.

Cotton and clothing industry of Pakistan has come around full circle since

early seventies and is gearing to take up hostile competition for not only enhancing its position into the top ten cotton and clothing exporters in the world but holding its world share. Nevertheless, there are many domestic variables that would need to be secured before actualisation of the prospective that exists.

Following factors by APTMA and common observation are endorsed.

- i) Stability of policies
- ii) Polyester authorized under DTRE²
- iii) Free trade of cotton
- iv) Programme of cleaner cotton
- v) Enhancement in staple length of cotton
- vi) Enlarged market access
- vii) Diminishing interest rate
- viii) Steady exchange rate policy

Although Pakistan is unable to reap the fruit of WTO as yet, but it has a strong presence in the Cotton trade. Now Pakistan is trying to get a place in top ten exporters of Cotton and top twenty exporters of clothing. For this purpose, during 2005 & 2006, government has announced to build three industrial cities in Faisalabad, Lahore and Karachi. These clusters will not only provide raw material and primary goods easily but it would also be a good source of information for the other regions. Secondly it would be an easy way for exporters and it will save their cost.

Due to government policies and network of APTMA, it seems that Pakistan soon will be able to compete with large exporters like China, India and Turkey.

5.3 Trade Implications for Pakistan's Cotton Sector

The Cotton industry of Pakistan can be classified into Cotton Industry, Chemical/ Man-Made Fibre, Woven Cotton Industry and Cotton Made-ups and Clothing Industry. Although wool Cotton industry is also significant but Pakistani woollen Cotton is not much developed. Pakistan only exports animal wool and a very small portion of blankets, although this sector is growing very fast since 1993 (250% per annum) but still it is insignificant to discuss here. Pakistan's entry into the WTO will affect these sectors to different extent. In this section we will discuss the structure of these industries, their contribution in the total exports and further opportunities for Pakistan. We will also try to find out the effect of WTO on these industries.

²The Duty and Tax Remission on Export (DTRE) Rules allow the import or local procurement of all input goods needed for export production, without payment of customs duty, central excise duty, advance income tax and sales tax. Such duty-free imports or local procurement are available to both direct and indirect exporters. The indirect exporters are those who provide input goods or services to direct exporters for the purpose of export production

5.3.1 The Cotton Industry/Cotton Fibre Industry

Cotton Fibres can be divided into three basic types according to their source:

1. Cotton Fibre
2. Man Made Fibre
3. Wool

In the last ten years the per cent share of cotton has shrunk from 48% to 39% in the total world fibre consumption. Man-made fibres that include polyester, acrylic, nylon, rayon and viscose have taken more than 58% of the total share, while cotton fibre is reduced to 38%. Polyester has by far the largest share within the man-made-fibres, which more than 80% (GOP 2000). Although the share of cotton reduced with the passage of time, but cotton production and yields have increased dramatically over the last century³. In 1834, estimates of total global production were 340,000 tons. By the end of the 19th century, they had risen almost tenfold to 3 million tons and by 1924-25 to 4.4 million tons (of which 93 per cent were produced by five countries: the US, India (including present day Pakistan and Bangladesh), China, Egypt and Brazil. Global output in the 1990s has varied between 18-21million tons - a fourfold increase over the last half-century. Three quarters of this increase is due to increased yields, which have risen from an average of 200 to close to 600 kilograms per hectare (Banuri 1998.p.15)

As non-food crop, cotton is considered the largest revenue earning crop in the world. It provides directly or indirectly some or all of the cash income of over 250 million people worldwide, including almost 7 per cent of the available labour force in developing countries. These activities are becoming highly concentrated over time; today, 77 per cent of global cotton output and 73 per cent of the cotton crop areas are accounted for by China, the US, India, Pakistan, and the Central Asian Republics. Cotton cultivation covers nearly 33 million hectares, equivalent to about 2.5% of all cultivable land, in 82 countries. Cotton constitutes approximately half the total Cotton fibre and possibly the largest industry in the world (APTMA).

Cotton played very important role in the development of Pakistan Domestic

³Two-thirds by weight of the cotton plant consists of Cottonseeds, which contain valuable nutrients (18-25 per cent fat and 29-34 per cent proteins), and are used as cattle feed or in the production of cooking oil. Average to moderate cotton yields of 1,500 kilograms per hectare of 'seed cotton' (i.e. including both seeds and lint) produce not only 500 kilograms of lint, but also 1000 kilograms of cotton seeds, which contain the same caloric content as a normal harvest (in Southern countries) of 600 kilogram of cereal from the same area. However, this creates some confusion over yield figures, which can refer to lint cotton (i.e. without seeds) or seed cotton (i.e. lint plus seeds). 1,500 kilograms per hectare is high if it refers to lint cotton, but moderate if it refers to seed cotton. Official documents typically refer to lint cotton yields, but some influential writings (e.g. Murray 1994) have used seed cotton yields without saying so explicitly.

Cotton Industry – being the major export commodity. It is the major agricultural crop in Pakistan. A bigger crop means not only a larger volume of export (both raw and processed products), but also a subsidy to the Cotton sector, leading to higher aggregate demand, higher employment, larger fiscal inflows, less pressure on the balance of payments, and thus less exposure to the dictates of international financial organizations. Not surprisingly, government policy has generally been used to maintain a stable and often relatively low domestic price of cotton, especially since 1986-87 (see figure 5.8 below and table in annex) through the imposition of export duties, in order to support domestic industry.

Conclusion

Shortly after the independence of Pakistan in 1947, it started to develop economic relations with other economies. Since the very beginning it started transforming its economy from agrarian to industrial. Joining major trade agreements, it proved its seriousness in trade. Due to very large agriculture sector with cotton being a major crop it rapidly developed its Cotton sector. Despite the poor management and weak policies, the economy continued to grow at a reasonable rate. Moreover different kinds of economic restrictions also affected the performance of Cotton sector of Pakistan. General Agreement on Tariffs and Trade (GATT) 1947, Long Term Agreement (LTA) and Short Term Agreement (STA), (as discussed in chapter 3 and 5) added the problems of Pakistan Cotton sector. Due to these agreements Pakistan would never have been able to utilise its Cotton resources. This under utilisation of resources and quota system blocked the path of modernisation for Cotton sector. Now after the implementation of WTO, the major challenge Pakistan is facing is lack of modern technology and cost of production. This cost of production is also indirectly related to technology.

The study intends to analyse whether the WTO – as many other members produce and export almost the same product mix as produced and exported by Pakistan in the world market - have posed or will pose any threat to Pakistan's trade expansion in the enlarged market or on the contrary, the enlarged market with its dynamic effects will facilitate Pakistan to expand trade through the various trade diversion effects; and consequently swelling its market share. The main thrust of the study was to concentrate on the widening aspect.

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Quality Higher Education for Sustainable Development in Nigeria

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Ms Ambreen Khaskhelli**

Abstract

The major purpose of this paper is to examine the theoretical framework for quality higher education in Nigeria and identify the parameters which play a very good role towards achieving quality assurance. These parameters include curriculum and institutional design strategy, continuous improvement of higher education quality, self assessment model, quality teaching and learning, linkages between teaching and outcome based education and some challenges for university teachers in achieving quality higher education in Nigeria. The major findings of this paper were that many universities give emphasis to recognition of scholarly teaching in the form of rewards and in promotion decisions. Teaching quality is simply counted as years of service irrespective of its quality. It was also observed that self assessment of academic staff has not been carried out frequently. Lack of coordinated and collaborative university wise approach affects quality of teaching programmes in Nigerian universities. It was recommended that assurance of quality inputs as it relates to faculty members, students and curriculum content to reflect national and international standards, education reforms is needed with emphasis placed on global education system, universities in Nigeria should encourage the linkage of teaching and research to enhance quality of teaching and learning. Finally, universities should not rely on government for funding of their programmes, instead they should explore funding from industries and philanthropists.

1. Introduction

Qualitative education is defined as good, relevant education achieved through diligent learning and research which produce sound and useful knowledge and creative skills for production and development. It is quality education to which the school environment, the teachers, the parents, the society and the students themselves have contributed over the years to make it formidable, reliable, aggressive, rewarding and satisfying (Anka 2010).

It is characterised by the admixture of the elements of culture, morality, manners, art, science and technology, application of knowledge, creativity,

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valuable skills and positive personal values such as personal freedom, hard work and self organisation. Any society that functions with this type of education in its members must make waves in an enlightened environment and such are the ones that push forward the boundaries of human progress. We need sound education, competence and honesty to build our nation to the required standard (Majasan, 1988).

The concept of quality in higher education is of significant concern for policy makers in educational sector, academicians and intellectuals around the globe. Ensuring and enhancing quality of education is of central importance and one of the key responsibilities of higher education institutions. Governments are also taking this matter increasingly seriously and as a consequence a number of organisations agencies and international networks have been established in the last two decades. Universities themselves have also established centres and committees with responsibilities for assuring and enhancing the quality of teaching and learning (Anka, 2006).

In some developing countries, quality is becoming a focal point of all academic policies and practices, a fact evident from the establishment of quality assurance units in Ministries of Education and quality enhancement cells in general and professional universities, 150 certified academic institutions and they are holding conferences and work out modalities on how to achieve quality at collective and individual levels in their domains viz curriculum, pedagogy and testing (KU-IED, 2006).

1.1 Problem Statement

Higher education in Nigeria was neglected by the previous administration during the last two decades. The important reasons for the declining standard of higher education in Nigeria were: -

- Inefficient use of available resources
- Inadequate funding
- Ineffective governance, management and recruitment practices
- Inadequate Incentives for performance and development of faculty
- Lack of research knowledge growth
- Absence of accountability and transparency
- Inadequate systems for supporting the quality of academic programmes and research

The above problems led to the decline in low quality graduates that cannot address future challenges confronting the educational sector. This paper identifies an alternatives framework for quality higher education in Nigeria. The framework

will also help policy makers design a very strong quality assurance mechanism that will improve quality in all institutions of higher learning in the country.

1.2 Objectives

This paper presents a theoretical framework for quality higher education in Nigeria by identifying the parameters which plays a very good role towards achieving quality. These parameters include curriculum and institutional design strategy, continuous improvement of higher education quality, self assessment model, quality teaching and learning, linkages between teaching and outcome based education, quality higher education some lessons from Pakistan and finally challenges of university teachers in achieving quality higher education in Nigeria.

1.3 Concept of Quality in Higher Education

Despite its importance and the progress that has been made through research and debate quality remains an elusive concept (Cheng and Tam 1997 Kidney, Cummings and Boehm, 2007). Defining quality in higher education is a challenging task and there is therefore, no universal consensus on how best to manage quality within higher education (Becket and Brookes, 2006). Quality can be viewed in terms of perfection, excellence, value for money fitness for purpose or transformation (Harvey and Green, 1993).

Perfection implies faultlessness or zero errors (Ashcraft and Foreman-Peck, 1985) and is most relevant to industries. Excellence implies the notion of reputation (Ashcraft and Foreman-Peck, 1995) and refers to the traditional often implicit academic view which aims to demonstrate high academic standard (Mc Kimm, 2003). Quality as value for money is also at accountability (Biggs, 2003). Quality as fitness for purpose refers to the statement of the purposes of the institution and whether these purposes are achieved. Quality as transformation refers to the way that the learning process transforms the student's perceptions of world and the way that the learning process transforms the student's perceptions of their world and the way they go about applying their knowledge to real world problems (Briggs, 2003, Mc Kimm, 2003).

2. Education and Sustainable Development

Development is said to be better felt in a society, community or nation when it is sustained. Similarly, development is said to be sustained when people manage their socio-economic, political and cultural advances as well as environment wisely without prejudice to the needs and wants of the future generations.

The role of education as a tool for national development can be conceived better within the context of sustainable development. Education whether formal

or informal, conventional or indigenous is vital for sustainable development, for example, according to the Nigeria's national Policy on Education (FRN, 1998) the philosophy of education is based on the provision of equal access to educational facilities for every one at primary, secondary and tertiary levels of the system. This has led to the rapid expansion of educational institutions at all levels across the country. At secondary school for example, there are 102 Federal Unity Schools (83 Federal Government Colleges – FGCs/Federal Government Girls Colleges FGGC and 19 Federal Science Teachers Colleges FSTCs). This is in addition to the private Colleges and public ones owned by State and Local Governments (Mohammed, 2008).

At the tertiary level of education in Nigeria, there are currently 76 universities with student enrolment of 750,765 and 32,592 faculty members (NUC, 2006). However, the number could rise to about 110 when the newly established State Universities in Niger, Taraba, Katsina, Adamawa, Yobe, Kaduna, Ogun States and some private universities as well as the recently established two city universities of technologies of Kaduna and Lagos and the National Open University by the Federal Government are put into consideration.

There is no doubt in the fact that investment in education or rather in knowledge and skills acquisition with their consequent application to socio-economic and political development target for a nation will certainly cause for its rapid transformation and advancement. In a way this could facilitate attainment of the Millennium Development Goals (MDGs), the Education For All (EFA), the new African Partnership for Development (NEPAD) and the National Economic Empowerment and Development Strategy (NEEDS). It is expected that the educational sector particularly at tertiary level and especially at university level is transformed to serve as centres of excellence for technological and scientific advancement, skill development, production of quality graduates and strategic researchers and development strategies (Mohammed, 2008).

2.1 Quality Technical and Vocational Education for Sustainable Development

One type of education which could impact sustainable development of a nation is Technical and Vocational Education (TVE). It should be a programme designed to prepare the beneficiaries for occupational fields and effective participation in work environments either at private or public level environments and institutions. It should be conceived as an aspect of life_ long learning and a preparation for responsible citizenship, an instrument for promoting individual and societal productivity, environmental soundness and sustainable development and a channel for reducing poverty as well as social

environmental degradation. According to (Yakubu, 2006) quality technical and vocational education and training would help develop the individual knowledge of science and technology in a broad occupational area requiring technical and professional competencies and specific occupational skills. This implies that the policy thrust of education in developing countries including Nigeria should include strengthening its technological and scientific base by revamping technical, vocational and entrepreneurial education and also making optimal use of ICT to meet the country's manpower needs necessary for sustainable development perhaps this explains why the Educational Trust Fund (ETF) develop a 3year Action Plan aimed at revamping TVE in Nigeria in line with the country's National Economic Empowerment Development Strategy (NEEDS).

3. Framework for Quality Higher Education

There is need for addressing the issue of quality in higher education in Nigeria. Enhancing quality of higher education is strongly felt when the students are seen struggling in the global workforce market, professions and technical fields operating with compromised professionalism and excellence resulting in creating obstacles to national growth and prosperity. Quality in education is seen as a positive and dynamic idea achievable by design with meaningful investment (Crawford and Shuttler, 1999) and the quest for quality should reflect customer oriented approach with continuous improvement of the product and services and of the processes brought about by planning, implementing, evaluating and decision making methods (Navaratnam, 1997). Quality principles in higher education are meeting customer needs, continuous improvement, leadership and motivation human resource development, appreciation reward, coordinated team work, evaluation and decision making (Seymour, 1992). Because of the importance and seriousness that is attached to education in Nigeria, it is necessary to identify a framework which would provide baseline for initiating efforts towards quality assurance and would also provide a criteria for evaluation.

3.1 Curriculum and Design Strategy

Curriculum is the road map which identifies the direction in which the journey has to be made and also ensures the manner in which it has to be completed. Quality in education heavily rests with the quality of the curriculum in terms of objectives and outcomes, content and credits, materials and methods and assessment and audio-visual aids. Curriculum development process and the final product are influenced by the facts that curriculum change is the normal expected consequence of change in the environment. Curriculum development is perceived as a multi level, multi-sector process and as a collaborative effort. A

holistic approach to curriculum development begins with an examination of the aims of education in society. International standards and the changing trends within the subject domain should remain major influences affecting the curriculum also the focus on knowledge and skill building through theory and applications should be decided on realistic needs of the actual world settings for which the students are groomed using curriculum (Zaki, 2008). However, we should avoid people who do not possess the necessary skills and expertise to plan our curriculum as this will result in the production of a document of low quality.

3.2 Institutional Design and Strategy

Universities and other institutions of higher learning implement the policies and strategies designed to achieve quality education. These institutions can have several dimensions and designs of structure, however, two broad dimensions are structural dimensions and contextual dimensions are considered important (Draft, 2001). The structural dimensions provide labels to describe internal characteristics and create the basis of measuring and comparing the institutions, while the contextual dimensions characterise whole organisation, including its size technology, environment and goals. These dimensions describe the settings that influence and shape the structural dimension. Structural dimensions include formalisation, specialisation and professionalism, whereas contextual dimensions include size, organisational technology, environment, goals and strategy and culture (Greenberg and Baron, 2003).

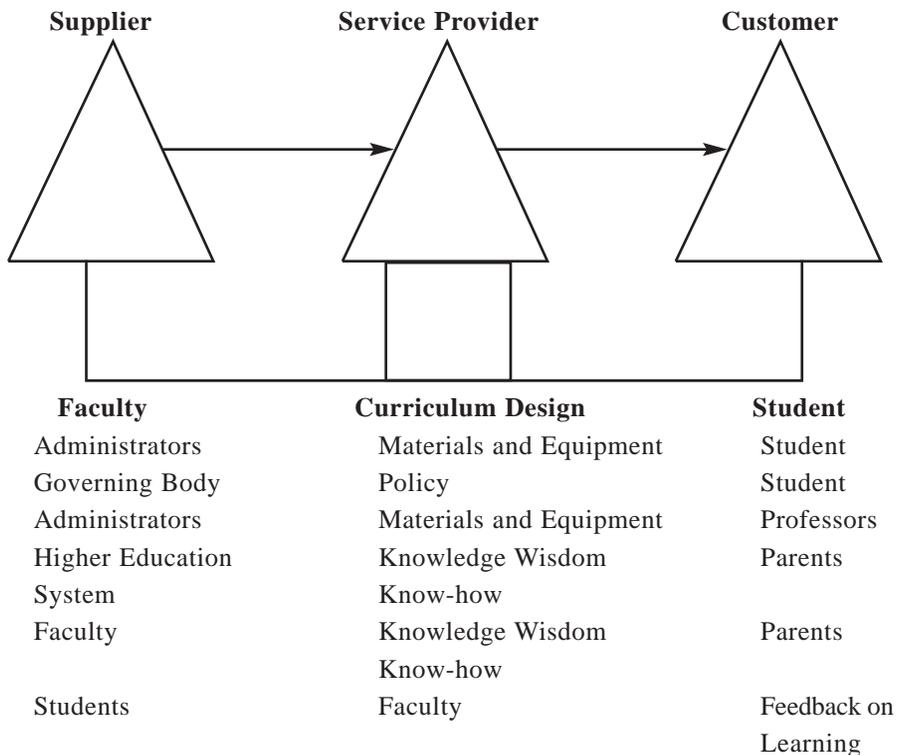
The organisational design interacts with various other factors like faculty curriculum and transfer of knowledge. An effective design enhances the quality and helps in achieving the desired results. It also provides the basis of setting up various quality metrics to quantify and measure the quality on a continuous basis (Hussain, 2008).

3.3 Continuous Improvement of Higher Education Quality

Implementing continuous improvement vary often requires the establishment of self techniques. Oakland (1999) explains that self assessment techniques are useful in identifying improvement opportunities. The purpose of self assessment is to regularly evaluate the key process and outcomes by following an established methodology in order to create a basis for strategic and continuous improvement of the organisations performance (Stahl, 1988). Such a strategy ensures a realistic pro-active and measurable approach to quality. Initially continuous improvement was heavily oriented towards manufacturing but gradually it is being adapted by academic institutions as well. Quality and continuous improvement initiatives have been mainly applied to academic institute's administration system and to a lesser extent to academic programmes (Temponi, 2005).

Academic departments with their faculty are considered to be the heart of the institution. Departments determine the strength of faculty, quality of programmes offering standing of the programmes and achievement of the University aims. The pursuit of institutional excellence is directly related to carrying out regular effective self assessments. Elements of academic self assessments include relationship to the university's aims and missions, self reflection and analysis, faculty involvement, peer evaluation, both external and internal and feedback from students and stakeholders, including employers, parents and alumni. The self assessment of academic programmes must focus on process as well as results (Rauf, 2008).

Fig. 1 **Continuous Improvement Cycle**



Source: Rauf A. (2008) *Continuous Improvement of Higher Education Quality. A Paper presented at Quality Conference University of Management and Technology Lahore, Pakistan, Page 293.*

3.4 Self Assessment Model

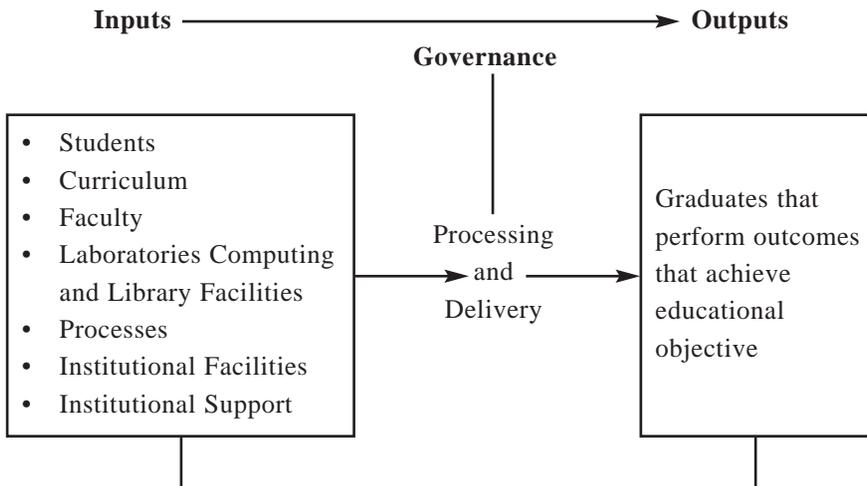
The self assessment model is presented in Fig.2. It will include academic as well as non-academic sector of academic institutes affecting elements offered. Criteria pertaining to each of the input to the model have been developed. The

self assessment is to be carried out by the department itself. The chair forms the assessment team consisting of departmental faculty members and if needed faculty from related areas and external peers could also be appointed as members of the assessment team (Rauf, 2008).

The self assessment is based on several criteria, to meet each criterion a number of standards have to be satisfied as well. The self assessment requires that each programme must have programme mission, objectives and outcomes. The curriculum is required to be in accordance with regulatory body’s stipulations. For example as for Nigeria, the regulatory body for continuous improvement and self assessment are the National University Commission (NUC), National Board for Technical Education (NBTE) and National Commission for Colleges of Education (NCCE).

The required laboratories and computing facilities must be adequately available to students and faculty. Students must have adequate support to complete the programme in a timely manner. The process by which major functions are delivered must be in place. This includes student advisory process, student registration process, the process of recruiting and retaining highly qualified faculty process used to ensure due emphasis on student’s active learning and the process to ensure that graduates have completed the requirements of the programme concerned.

Fig. 2 Assessment Model



Source: Rauf A. (2008) Continuous Improvement of Higher Education Quality. A Paper presented at Quality Conference University of Management and Technology Lahore, Pakistan, Page 290.

Faculty members must be current and active in their discipline and must possess the required breadth and depth to support the programme. It is important

to have enough full time faculty members to cover all programme areas. Institutional facilities which include library, classrooms and offices must be adequate to support the objectives of the programme. Similarly, also institutional support and financial resources for the programme must be sufficient to provide an environment in which the programme can achieve its objectives and retain its strength (Killen, 2003).

4. Quality Teaching and Learning

One of the most important functions of a teacher is to help students acquire knowledge and understanding from the information they encounter when studying any subject. Helping students to convert information text, lectures, sounds etc) into knowledge (familiarity gained by experience) and then into understanding (meaningful association) requires careful consideration of the nature of what is to be learned and familiarity with how students learn. There is considerable research evidence which teachers and educational administrators in Nigeria can learn. Evidence demonstrates that student learning improves when they are engaged in higher-order thinking, when learning focuses on deep understanding and when students are engaged in communication about the things they are learning. These forms of academic engagement are more likely to occur when knowledge is treated as problematic and when students are conscious of the ways in which language is used to shape and transform knowledge. Each of these elements is explained as follows: -

4.1 Deep Knowledge

Has three components, first it is a collection of principles and central idea that form the basis of a discipline or study topic. Second, it is the web of relationships among those central ideas, and third, it is the relationship between those central ideas and other knowledge associated with the discipline.

4.1.1 Deep Understanding

Occurs when learning develops holistic, integrated and well structured understanding of the ways in which the central ideas they are studying are related to one another and to other knowledge. Learners who have deep understanding are able to use their deep knowledge to solve complex problems, arrive at reasonable conclusions and explore the problematic nature of knowledge.

4.1.2 Higher Order Thinking

Higher order thinking is the type of cognitive processing that takes place in the upper levels of knowledge hierarchies of thinking such as bloom's taxonomy (Blooms, 1956). This taxonomy was recently updated to take into all account of more theories of learning (Anderson & Krathwohl, 2001) and now provides a continuous

of cognitive processes starting with remembering and progressing through understanding, applying, analysing and evaluation to creating (Killen, 2005).

4.2 The Need for Quality Learning Environment in Nigeria

This is an environment in which learners know they are respected and safe from negative social interactions, where they are trusted to have some say in when and how they learn and where they are expected to work hard to achieve high standards that have been made explicit. These ideas are embodied in the following elements of the quality teaching model.

4.2.1 Explicit Quality Criteria

Teachers in Nigeria must ensure that learners know what important outcomes they are required to achieve and how the quality of their achievement of these outcomes will be judged. Teachers need to make regular reference to these criteria when they teach and when they assess student work. The Solo taxonomy (Biggs and Collins, 1982) is one practical approach to developing these criteria.

4.2.2 High Expectations

Not all students will achieve the same depth of understanding but teachers should expect all students to achieve the significant outcomes to high standards. This is one of the basic principles of outcomes-based education (Spady, 1994). Schools that establish high expectation for all students and provide support necessary for students to achieve these expectations have higher rates of academic success than schools that routinely expect some students to be unsuccessful (Benard, 1995).

4.2.3 Academic Engagement

Instructional activities must be arranged so that students have appropriate opportunities to engage in meaningful learning (as opposed to rote learning). Academic engagement will be evident when students are on task, focused on important issues and consciously striving to learn. Academic engagement is closely linked to students' commitment and motivation and to the nature of interactions within classroom social system.

4.2.4 Student Self Regulation

Teachers should encourage and require students to regulate their own behaviour so that there is minimum need for teacher disciplining and regulation. Teaching strategies such as research projects can help to develop students self regulation.

4.2.5 Student Direction

Through negotiation and guidance, learners should be given as much control as is feasible over what and how they learn and be encouraged to assume

responsibility for their own learning. This will involve the use of teaching strategies such as individual research projects that students design.

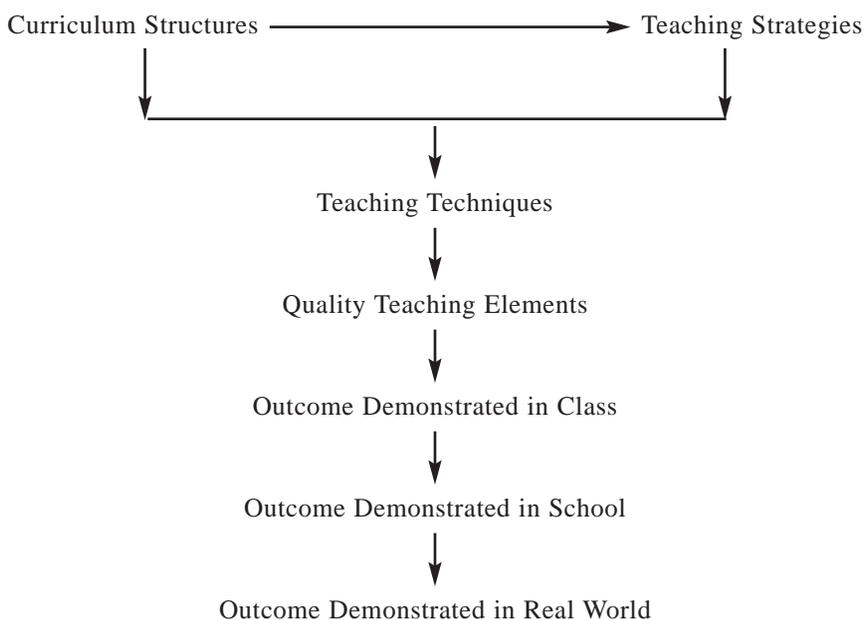
5. Linkage Between Quality Teaching and Outcome Based Education

White and Frederick (2000), suggest that expert teaching can be characterised by six main criteria such as worthwhile engagement adapt classroom management, effective pedagogy, good classroom climate, explicit thinking about the subject matter and active enquiry. Similarly, a good classroom climate which is defined as a social environment, rapport, respect, and sensitivity to diversity. The quality teaching model emphasises that each teacher's prime role is to maximise learning for all students through the consistent application of explicit research based principles. Although this model has a very strong research base. It is yet to be tested through rigorous research (Killen, 2005).

5.1 Outcomes Teaching and Learning Model QOTL

This model emphasises the relationship between the different aspect of teaching all taking place within some curriculum framework that lead to students demonstrating outcomes in three contexts (the class, the school and the world beyond school). It is presented as follows: -

Fig. 3 Quality Outcome Teaching and Learning Model



Source: Killen R. 2005 – Effective Teaching Strategies Published by Thompson Press Page 23.

The QOTL suggest that engaging students in the element of quality teaching contributes to student learning outcomes that can be demonstrated in three contexts in the immediate context of the teaching strategy, for example, as part of a group discussion in a broader curriculum context (such as in an examination) and in the future lives of the students (such as in a work situation).

These outcomes will be defined by the curriculum and the desired levels of students' achievement of the outcomes can be described by using tools such as the (Anderson Krathwohl Taxonomy, 2001) or the Solo Taxonomy (Biggs and Colins, 1982).

The teacher must employ suitable teaching strategies (such as group work or case studies) to provide a context within which he/she can use specific teaching techniques (such as giving a clear explanation) to engage students in elements of quality teaching (considering the problematic nature of knowledge etc). The teacher must also enable learners to access suitable content or learning resources so that they can engage in the forms of academic activity that will help them to achieve the outcomes. The following questions can be used as a check list to help individual teachers reflect on the extent to which the professional practices match quality outcomes teaching and learning model.(Killen,2006)

5.1.1 Outcomes

- Do the outcomes statements describe significant learning that will be demonstrated in realistic context?
- Do the outcome statements describe that which can be demonstrated at different level of competence?
- Have the teaching strategies been selected because of their potential to enable learners to achieve outcomes?

5.1.2 Intellectual Quality

- What is really important in the subject I am teaching?
- What are the fundamental concepts that students must understand in order to master this subject or unit of work?
- Are these fundamental concepts emphasised in my instructional plans in the way I teach and in my assessment task?

5.1.3 Quality Learning Environment

- What have I done to create a rich and stimulating environment for learning?
- Are my lessons (or self directed study materials) organised so that the

majority of students time is devoted to trying to understand what they are supposed to be learning?

- Does my teaching convey the message that all students are expected to achieve high standard?

6. Quality Higher Education: Some Lessons From Pakistan

Pakistan has made remarkable progress during the period of 2001 – 2008 in higher education which has directly impacted scientific research. The increase in scientific research output is about 600 percent increase in scientific publications in international journals.

Not a single University in Pakistan could be ranked among top 600 Universities in the world during 57year period from 1947 to 2003. Today five of our Universities are ranked among the top 600 in the world.

6.1 The Major Landmark Achievement

- a. Establishment of a Digital Library in Pakistan which is regarded as one of the best Digital Library anywhere in the world. Every student in every public sector university today has access to 45,000 textbooks and research monographs from 220 international research journals completely free of charge.
- b. University enrolment has tripled, it was only 135,000 in 1947. But from 2004 to 2008 it increased to about 400,000. There were only 59 Universities and degree awarding institutes in the year 2001 in Pakistan. These grew to 127 Universities in 2008.
- c. About 5,000 PhD. Scholarships were awarded for study in technologically advanced countries, one of the largest programmes in developing countries with about 10million Rupees spent on one student. Some 3,000 indigenous scholarships were also awarded.
- d. The world's largest Fulbright Scholarship Programme US\$150million was launched with joint funding from USAID to send 640 students to top Universities in USA.
- e. A number of steps were taken to enforce quality and improve governance. Plagiarism has been discouraged through the introduction of software. All PhD and MPhil thesis and research publications have to go through this software before they are accepted for award of degree.
- f. The quality of PhD degrees being awarded in Pakistan was strengthened by

making it mandatory that they be evaluated by at least two foreign experts in developed countries.

- g. Quality assurance units were set up in all the Universities so that they could have their own peer review of the processes and regular external peer review were also initiated.
- h. A strict monitoring system of all University Projects was introduced to ensure that the funds were properly spent. All accounts of Higher Education Commission were audited by International Auditors in addition to Government Auditors.

6.2 International Praise

Pakistan quality education programmes are now regarded as a model to be followed by developing countries like Nigeria. Indeed these developments have been described as silent revolution.

An independent senior United States educational expert Prof. Fred Hayward after careful analysis of this sector on behalf of USAID wrote in International Higher Education Quarterly. Since 2002, a number of extraordinary changes have taken place. The Higher Education Commission instituted major upgrade for laboratories rehabilitation of facilities, expansion of research support and development of one of the best Digital Library in the region. Its successes have been remarkable, quality has increased significantly and several institutions were on their way to becoming world class institutions in the world.

Countries like Nigeria and their counterparts in African countries can learn from Pakistan success in higher education (Atta-ur-Rahman, 2010).

6.3 Challenges for Teachers in Achieving Sustainable Quality Higher Education in Nigeria

- Our greatest challenges will be to identify the deep knowledge and help students see what it means to have a deep understanding of this knowledge.
- A further challenge will be to focus on assessment of key concepts require students to demonstrate and communicate deep understanding, develop assessment tasks that require students to use higher order thinking and analyse issues from alternative perspective.
- Another challenge is how can teachers make their classroom a more pleasant and supportive place for learners? They are then likely to remain academically engaged and strive to achieve high standards.
- Making learning relevant and significant for students starts with simple

things such as developing concept maps to show how you are teaching are interrelated, looking for real-world applications of concepts and procedures you are teaching. Talking to other teachers to find ways of integrating knowledge across subject boundaries.

- Ensuring that no one group has the right to dominate society, recognising the way in which dominant cultures have shaped knowledge, seeking ways to encourage all learners to participate. Allowing students to share their life experience.

7. Summary, Conclusions and Recommendations

7.1 Summary

The need for addressing the issue of quality in higher education in Nigeria is strongly felt when the students are seen struggling in the global workforce market, profession and technical fields operating with compromised professionalism and excellence resulting in creating obstacles to national growth and prosperity. This paper identified parameters which plays a very good role towards achieving quality higher education for sustainable development in Nigeria.

7.2 Conclusion

Many Universities Polytechnics and Colleges of Education in Nigeria in consultation with their regulatory bodies such as National Universities Commission, National Board of Technical Education and National Commission of Colleges of Education have developed a number of guidelines and criteria for assuring quality of their teaching and research but less attention was given to quality assurance. Universities give emphasis to recognition of scholarly teaching in the form of rewards and in promotion decisions. Scholarly teaching does not rate as highly as research in promotion decisions. Teaching quality is simply counted as years of service irrespective of its quality. It was observed that self assessment of academic staff has not been carried out frequently. Lack of coordinated and collaborative university wide approach affects quality of teaching programmes in Nigerian Universities. On the basis of the above, the following recommendations are made.

7.3 Recommendations

The following recommendations will help Policy Makers design very strong quality assurance strategies for sustainable quality education in Nigeria.

- a. Institutionalisation of quality assurance mechanisms at higher institutions for the accreditation of their academic programmes to ensure high standard.
- b. Promotion and monitoring of research input, quality and output as well as academic publications.

- c. Intensification in the use of ICT and GIS facilities and infrastructure for teaching, learning research and information access and delivery.
- d. Assurance of quality input as it relates to faculty members, students and curriculum content to reflect national and international standards.
- e. Education reform with emphasis placed on global education system and curriculum content that is internationalisation of education system and curriculum.
- f. Provision of enabling environment to reduce the increase of brain drain and paucity of quality students as well as for attraction of quality academics and researchers. In Nigeria such programmes as Nigerian National Volunteers Schemes and Nigerian Expert and academic in Diaspora Scheme.
- g. It is important to encourage global employability of our education system and products. Increase the capacity to compete globally, attract quality students across the globe, and retain quality staff as well as research funds and equipments.
- h. Universities in Nigeria should encourage the linkage of teaching and research to enhance the quality of teaching and learning through such strategies strengthening of scholarship of teaching by encouraging academic staff to undertake and disseminate pedagogical research.
- i. Establish departmental board of studies for suggestion of curriculum and assessment of research activities,
- j. Universities should explore funding sources other than government such as industries or philanthropists.

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The Impact of High Inflation on Stock Market Returns in Pakistan

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Abstract

This paper examines the impact of high inflation on stock market returns in Pakistan. For this purpose, a monthly data of inflation and stock returns is collected from 2005-2009. A simple linear regression model is applied to determine the impact of inflation on stock returns. The results show that there is negative and significant impact of inflation on stock returns.

Key Words: *Inflation and stock returns*

Introduction

In economics inflation means a general rise in the prices of goods and services over the period of time. Annual inflation gradually reduces the purchasing power of money, means a loss of real value of money. Price inflation is measured by inflation rate which is calculated by annual percentage change in general price index (Consumer price Index. CPI) over the period of time. Inflation affects an economy in many ways positively and negatively. Negative effect of inflation includes a decrease in the real value of money and uncertainty about future inflation may discourage investment and savings. This may force investor to sell stocks and buying the bonds which reduces the investment of productive capital and increases the savings in non-productive assets. In this way overall economic productivity rates decrease. High inflation may lead to shortage of goods because people hold goods by the perception that prices will increase in future. Positive effect of inflation is improvement of economic recession and debt relief by reducing the real value of debt. High supply of money causes the high rate of inflation. As inflation rate is calculated by the percentage change in consumer price index. The consumer price index is prices of selected goods and services purchased by a typical consumer.

$$\text{Inflation Rate} = \frac{\text{CPI 2009} - \text{CPI 2008}}{\text{CPI 2008}}$$

There are many ways to invest funds. To decide which investment is suitable

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for us we know the characteristics and objective of that particular investment. Normally we can invest our fund in equity shares and fixed income securities. Fixed income securities include bank deposits, Government fixed income securities. These returns are combination of real return, inflation premium, risk premium, default risk premium and maturity risk premium.

Return = real return + inflation premium + risk premium + default risk premium+ maturity risk premium

Among all these, inflation risk is very important. Due to inflation overall return is affected and sometimes just like in Pakistan real return will be negative. As previous studies suggested that stock are not inflation hedge so investor withdraw their money from stocks and put their money into the risk free securities. In this way the overall productivity rate of the economy decreased. As inflation increases over the period of time then the value of money decreases and return also decreases. To avoid this, investors put their funds in such investments which give them shelter or premium for inflation. This paper contributes to existing literature by examining the relationship between inflation and equity returns. The paper proceeds as follows section I explains the literature review Section II explains data and methodology, Section III explains the results and discussion.

Literature Review

K. V. S. S. Narayana Rao L M Bhole (1990) examined the impact of inflation on rate of return on equity for India. For examining this, they estimated nominal return on equity by using reserve Bank of India for share prices and equity yield and real rate of return is calculated by whole sale index as well as consumer price index for the time period of 1953-1987. They run the simple regression and concluded that for short run there is negative relationship between inflation and equity returns and positive return for long run. Malathy Prabhakaran(1989) examined that, do equities act as a hedge against inflation? To examine this, he took the annual average of index of wholesale prices and prices index of equity shares of all industries from Reserve Bank of India and confirmed that equities securities have failed to provide inflation hedge.

Richard A. Cohn and Donald R. Lessard (1981) examined the impact of inflation on stock prices in international perspective. To investigate this, they collected Stock price, earnings, dividend, and depreciation from Capital International Perspective for the time period of 1969-1979. They ran the regression model and reported that there is negative relationship between the stock prices and inflation. CHARLES R. NELSON (1976) examined the

inflation and rate of return on common stocks. To examine this he took the monthly return of diversified portfolio of common stock and monthly inflation rate measured by the consumer price index. Monthly stock returns consist of the Scholes Index of value-weighted returns (1953-1972) and returns on the Standard and Poor's 500 Index (1973-1974). He ran the regression and reported that there is negative relationship between stock returns and inflation.

David A. Marshall (1992) investigates the relationship of Inflation and Asset Returns in a Monetary Economy. To examine this, he collected the quarterly prices and quantity from the CITIBASE and all returns from Center for Research on Security Prices (CRSP) database for the time span of 1959-1990. He examined the relationship by running the regression and resulted that there is negative relationship between stock returns and inflation. John W. Peavy, III and David A. Goodman (1985) examined how inflation, risk and corporate profitability affect the stock returns. To investigate this, they defined the three most important factors which have great influence on P/E (price to Earnings Ratio). They took P/E ratios of S&P (standard & Poor's) 400 for the time period of 1966-81. They ran the multiple regression model and reported that P/E ratio is responsible for stock market performance. Steven A. Sharpe (2002) examined Stock Valuation and Inflation. To check this, he collects monthly historical annual operating income for S&P500 from I/B/E/S International for the time period of 1965-2001. He ran the simple regression and concluded that there is a strong negative relationship between stock returns and inflation.

Glenn L. Johnson, Frank K. Reilly, and Ralph E. Smith (1971) examined the individual stock as an inflation hedge. To check this they selected the thirty stocks in the Dow-Jones Industrial Average as common stock sample and calculated the inflation by Consumer Price Index and Concluded that individual common stocks in the Dow-Jones Industrial Average do not consist in inflation hedges. Theodore E. Day (1984) examined the relationship between real stock returns and inflation and concluded that there is negative relationship between real stock returns and inflation.

N. Bulent Gultekin (1983) examined the relationship between Stock Market Returns and Inflation. To investigate this, he collected the stock returns and inflation for 26 different countries. He collected monthly inflation rates for the period of 1947-1979 by using Consumer Price indices from International Financial Statistics (IFS) and stock returns for the same period from capital international Perspective(CPI). He ran the Regression and concluded that there is negative relationship between unexpected inflation and expected inflation with stock returns. Mark Crosby Glenn Otto (2000) examined the relationship

between inflation and capital stock for different countries. They ran the regression model and reported that there is negative relationship between capital stock and inflation. Frank K. Reilly, Glenn L. Johnson and Ralph E. Smith(1970) examined inflation and inflation hedges and common stocks and concluded that stock returns are not hedge of inflation. Patrick J. Hess Bong-Soo Lee (199) examined the Stock Returns and Inflation with Supply and Demand Disturbances. To examine this they took USA data for the period of (1947-1994). By running the Vector auto regression model and concluded that there is negative relationship between the stock returns and inflation.

Mark J. Flannery & Aris A. Protopapadakis (2002) examined do microeconomic factors influence the equity returns. To complete this they took 17 microeconomic factors (CPI, PPI, and Monetary Aggregate-M1 or M2, Employment Report, Balance of Trade, and Housing Starts, Industrial Production, Personal Income, and Sales) and daily closing returns of NYSE-AMEX-NASDAQ market index from the Center for Research in Security Prices (CRSP) for the period of 1980-1996. They ran GARCH model and concluded that six of the 17 macro variables are risk factors and out of these six two inflation measures (the CPI and the PPI) affect market portfolio's returns level. Doron Nissim & Stephen H. Penman (2001) examined the relationship between interest rates and accounting returns and growth. To complete their study, they collected the stock returns and yields on Treasury discount bonds with one and five years to maturity, and yields on constant maturity Treasury bonds with ten and twenty years to maturity for the time period of 36 years (1964-1999), by running the regression they concluded that there is negative relationship between the inters rates and stock returns.

Richard A. Cohnand Donald R. Lessard (1980) check the effect of interest rate on stock return prices. To investigate this they collected stock price, earnings, dividend, and depreciation data were obtained from Capital International Perspective for the period of 1969-1979 on quarterly basis. Bruno A. Oudet(1973) examined the variation of stock returns in periods of inflation and concluded that there is negative relation between stock returns and inflation. T. Engsted and C. Tanggaard (2000) examined the relationship between assets growth and inflation. They took U.S. stock market data of standard and poor composite stock price index for the period of 1926-1997. They use US government long-term bonds annual returns and inflation is calculated from consumer price index. They used the vector autoregressive (VAR) model and concluded that there is negative relation between stock returns and inflation.

Data and Methodology

To measure the impact of inflation on stock market return in Pakistan, the monthly data of stock market returns and inflation is collected from KSE-100 index using the database of Business Recorder and Federal Bureau of Statistics of Pakistan from (March 2005 to June 2009) respectively. To examine the impact of Inflation on stock returns, we apply the simple linear regression model, as explained below

$$\Delta SR = \alpha + \beta INF + \epsilon$$

Here

ΔSR = Change in Stock Returns

INF = Inflation Rate

In this analysis Stock returns is dependent variable whereas inflation rate is independent variable. The importance of the time span is that during this period Pakistan Stock market touched the highest index points in the history and in these days inflation of Pakistan was in single Digit.

Results and Analysis

Table-1-1 Regression Model Statistics

R Square	0.13
Standard Error	0.11
No of Observations	52
F-Statistics	7.77
P-Value	0.008

Table-1-2 Model Description

	Coefficients	Standard Error	t Stat	P-value
Intercept	0.085	0.034	2.477	0.017
Inflation	-0.711	0.255	-2.787	0.008

Table 1-1 Shows the overall results of simple linear regression model. The model is overall significant at 1% and 5% level of significance as indicated by p-value. The coefficient of determination is 13% which means only thirteen percent variation in stock return is explained by inflation and remaining variation is unexplained. The standard error of this model is also not very large as it is only 11% percent.

Table 1-2 describe the significance of coefficients. The inflation coefficient is -0.711 shows the negative relationship between inflation and stock return. The p-value of inflation coefficient is 0.008 which clearly shows that it is significant at 1% and 5% level of significance.

Conclusion

As inflation is one of the biggest enemies of any economy, it affects every segment of the country's economy. Capital markets are also the backbone of any economy. So there must be a strong relationship between capital market and inflation. As previous literature and theory suggested that increase in inflation have a negative impact on the performance of capital market. The aim of this study is also to determine the impact of high inflation of Pakistan on stock market returns. Our results are in line with the literature and show that there is a negative and significant impact of inflation on stock market returns. One important factor in the downfall of our stock market is uncontrollable inflation. The economists and researchers are agreed on this fact that if we want to improve the performance of our capital markets then we have to think how to control the inflation in Pakistan.

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Corporate Governance and Performance of Pakistani Listed Companies (A Case Study of Sugar Sector)

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Abstract

This study intends to examine the link between Corporate Governance and corporate performance in sugar industry of Pakistan. A set of listed companies has been investigated to analyze the relationship for the financial year 2009. At the end, conclusion shows that better governed firms are relatively more profitable, more valuable, and pay out comparative extra dividend to their shareholders and most prominently ensure sustainability. In line with the studies of Gimpers, Ishii & Metrick (2003) and Brown & Caylor (2004) and international best practices in corporate governance, a Corporate Governance Index (CGI) has been created to measure the accessible level of corporate governance practices being followed by the listed companies in Pakistan.

Key Words *Corporate Governance; Corporate Performance; Sugar Industry, Pakistan*

Introduction

Corporate Governance in terms of the “organization of the management and the control of a company aiming at balancing the interests between the involved stakeholders” (Witt, 2003) has attracted interest in theoretical as well as practical areas over the last years (Gillan, 2006; Benz & Frey, 2007). In addition to huge scandals such as Enron, Arthur Andersen or Parmalat, theoretical discussion about the validity of arguments (Lubatkin, 2007) or the sound theory applied (Zahra, 2007) have questioned the ubiquitous point of view.

La Porta, et al. (2000) Defined, “Corporate governance is, to a certain extent, a set of mechanisms through which outside investors protect themselves against expropriation by the insiders.”

Corporate Governance developed as a way of ensuring that owners of funds receive a return on their investment by protecting against management expropriation or use of the investment capital to finance pitiable projects. Specifically, corporate governance deals with the ways in which suppliers of equity finance to corporations assure themselves of getting a return on their investment in a ethical and bare way (Shleifer and Vishy 1997: 737). On the

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other hand, Hart (1995) suggests, necessitates the need for corporate governance for the inability to create perfect contracts. Corporate Governance issues arise wherever contracts are incomplete / immature and agency problems exist.

According to OECD “Corporate governance is only part of the larger economic context in which firms operate includes, for example, macroeconomic policies and the degree of competition in product and factor markets. The corporate governance framework also depends on the legal, regulatory, and institutional environment. In addition, factors such as business ethics and corporate awareness of the environmental and societal interests of the communities in which a company operates can also have an impact on its reputation and its long-term success.

While a variety of factors affect the governance and decision making processes of firms, and are important to their long-term success, the Principles focus on governance problems that result from the separation of ownership and control. However, this is not simply an issue of the relationship between shareholders and management, although that is indeed the central element. In some jurisdictions, governance issues also arise from the power of certain controlling shareholders over minority shareholders. In other countries, employees have important legal rights irrespective of their ownership rights. The principles therefore have to be complementary to a broader approach to the operation of checks and balances. Some of the other issues relevant to a company’s decision making processes, such as environmental, anti-corruption or ethical concerns.”

The code of corporate governance initially introduced by Securities and Exchange Commission of Pakistan in early 2002 is the major step in corporate governance reforms in Pakistan. The major areas of enforcement include reforms of board of directors in order to make it accountable to all shareholders and better disclosure including improved internal and external audits for listed companies.

Sugar Production in Pakistan

Sugarcane is an important industrial cash crop in Pakistan. Pakistan is an important sugarcane producing country and is ranked fifth in terms of area under sugar cultivation, 60th in yield and 15th in sugar production. Sugarcane is grown on over a million hectares and provides the raw material for Pakistan’s 84 sugar mills which comprise the country’s second largest agro-industry after textiles. The sugar sector constitutes 4.2% of manufacturing. In size, the sugar sector matches the cement sector. Sugar industry has an indirect socio-economic impact in overall terms which is significantly larger than its direct contribution

to GDP because of its backward (sugarcane growers) and forward linkages (food processors) in the economy.

The country's annual sugar consumption fluctuates between 3.6 to 4.2 million tons, but industry's officials say it has gone down since October 2009, because of higher prices and an economic slowdown that resulted in lower demand from industries such as drink producers. According to farmers association, the area under sugarcane cultivation has gone down slightly, but they are expecting better yield because of the better varieties of seeds. With this scenario, Pakistan has to import sugar which exposes it to the effects of shortage and rising prices in the world.

Literature Survey

There are three main theories to explain corporate governance mechanism:

1. Agency Theory
2. Stewardship Theory
3. Resource Dependence Theory

Agency Theory has two main features, first, the effect of the board organization on firm's performance and second, the effect of board leadership structure (i.e., duality) on firm's performance (Nicholson & Kiel, 2007). Board of directors supervises primarily corporate operation as representative of Principal (Shareholders). However outside directors can supervise corporate managers to prevent them from pursuing their own interests as an effective check and balance system between principal and agent.

Stewardship Theory considers managers as reliable, high-level executives who will not exhibit behaviors that would be unfavorable for shareholders, therefore inside directors can achieve better firm's performance and create more profit for shareholders.

Resource Dependence Theory suggests that board members have connections to important external resources and can maximize the firm's performance (Nicholson & Kiel, 2007).

The existing studies to find the relationship between corporate governance and firm performance elucidate totally outlandish results. One study shows that corporate governance has positive correlation with operating performance and preventing fraud (Yeh, Lee, and Ko, 2002). It is important to note that the issue has also been evidenced that the performance of a firm is directly related to good corporate governance. Corporations with better corporate governance have better operating performance than those companies with poor corporate

governance (Black, Jang, and Kan, 2002) which was concurrent with the view that better governed firms might have more efficient operations, resulting in higher expected returns (Jensen and Meckling, 1976). It is also believed that good corporate governance helps to generate investor goodwill and confidence. Another study had demonstrated that the likelihood of bankruptcy is related to poor corporate governance characteristics (Daily and Dalton, 1994).

Baysinger & Butler (1985) and Rosenstein & Wyatt (1990) show that the market rewards firms for appointing independent / non-executive directors in board. Several studies in which financial statement data and Tobin's Q used, find no link between board independence and firm performance, while those using stock returns data or bond yield data find a positive correlation. The relation between the proportion of outside directors, a proxy for board independence, and firm performance is marvelously mixed.

However limiting board size is believed to improve firm performance because the benefits by larger boards increased monitoring are outweighed by the poorer communication and decision making of larger groups Lipton and Lorsch (1992); Jensen (1993). Consistent with this notion, Yermack (1996) documents an inverse relation between board size and profitability, asset utilization, and Tobin's Q.

Klein (2002) finds a negative relation between earnings management and audit committee independence, and Anderson et al. (2004) find that entirely independent audit committees have lower debt financing costs. Frankel, Johnson and Nelson (2002) show a negative relation between earnings management and auditor independence (based on audit versus non-audit fees), but Ashbaugh, Lafond and Mayhew (2003) and Larcker and Richardson (2004) dispute their evidence. Kinney, Palmrose and Scholz (2004) find no relation between earnings restatements and fees paid for financial information systems design and implementation or internal audit services, and Agrawal and Chadha (2005) find no relation between either audit committee independence or the extent auditors provide non-audit services with the probability a firm restates its earnings.

In order to ascertain which hypothesis should be tested in the Pakistani environment, a number of research papers were studied in detail to arrive at a hypothesis which could be tested on domestic companies. Gompers, Ishii and Metrick (2003) in their study of corporate governance and equity prices, created a 'Governance-Index' to ascertain the level of shareholders' rights in an entity. For this index, 24 corporate governance indexes divided into the following categories were used: Delaying hostile bidders, Voting rights, Director/Officer protection, Takeover defenses, and State Laws.

Brown and Caylor (2004) in their study on corporate governance and firm performance calculated a 'Gov-Score' comprising of 51 scoring factors. These governance factors were spread over the 8 categories: Audit, Board of Directors, Charter/Bylaws, Director Education, Executive & Director Compensation, Ownership, Progressive Practices, and State of Incorporation and calculated a Gov-Score for 2,327 firms and tested the association of these governance factors as against the performance of the firm. The performance measures used in this regard were: Return on Equity, Net Profit Margin, Sales Growth, Tobin's Q, Dividend Yield, and Share Repurchases. Their study concludes that good governance is related to good performance the vast majority of time.

Ghani and Ashraf (2005) examine corporate governance in Business groups operating in Pakistan and stated that business groups, as an organizational form, are more prone to expropriation of minority shareholders. These authors have examined three broad research questions related to business groups and minority shareholders expropriation in Pakistan.

- What are the key characteristics of business group firms that are different from those of non-business group firms?
- Are firms affiliated with business groups more profitable than unaffiliated firms?
- How does the stock market value group firms as compared to non-group firms?

Hypothesis

H0: Strong Corporate Governance practices result in strong corporate performance.

H1: Strong Corporate Governance practices do not result in better corporate performance.

By utilizing the similar research already conducted by Gompers, Ishii and Metrick in 2003 and Brown, Caylor in 2004 and Mubbashir in 2009, I conducted similar research on Sugar Industry operating in the Pakistani environment.

Methodology

To test these hypotheses, a Corporate Governance Index (CGI) has been created to measure the level of corporate governance practices being followed by the listed companies in Pakistan. This index has been created in such a manner that a CGI score can be assigned to an entity based on the information which can be extracted from the annual reports of the company or from their corporate websites.

For the developments of the index, specifically with regards to the factors to be considered, assistance was taken from the Corporate Governance Survey carried out the JCR-VIS Credit Rating Company in March 2005. By increasing the factors taken in that survey through review of international papers and other resources, a scoring mechanism better suited for the local environment was developed, which was used to assign a CGI score to the sample entities taken for hypothesis testing. The CGI constituted the following areas:

1. Shareholders Rights (defined and protected)
2. Equity Structure
3. Board Composition
4. Transparency & Disclosure

The CGI comprised of 40 elements in total of which the four major areas constituted the bulk. Of these elements, 25% pertained to shareholders rights, 25% Equity structure, another 25% to Board Composition and last 25% were to Transparency and Disclosure.

The correlation of CGI with firm performance measures of the respective firms was computed to test the viability of the hypothesis.

The population was taken from Sugar Sector of Pakistan, listed in Karachi Stock Exchange (KSE), that is the biggest and most liquid exchange and has been declared as the “Best Performing Stock Market of the World for the year 2002”. As on December 31, 2007, 654 companies were listed with the market capitalization of Rs. 4,329,909.79 billion (US \$ 70.177) having listed capital of Rs. 671.269 billion (US \$ 10.880 billion).

The sample size to test the hypothesis was taken by only one sector of KSE. The reason for choosing a single sector as against samples from various sectors was that entities operating in a single sector would in general face similar opportunities and threats. Accordingly, testing them against CGI and its correlation with performance measures should apparently not give skewed results due to similarities in the working environment.

In the Pakistani economy some important sectors are financial, Sugar, energy, cement, fertilizer, telecommunication and textile sectors. Sugar sector has a considerable number of listed entities, 32; this whole sector was chosen to test the hypothesis. However, the actual sample size was reduced due to non-availability of the financial statements and website of four entities. Accordingly the sample size was reduced to 28 entities.

The selected sample from the Sugar companies listed on the KSE amounted to

28 companies. Sugar Industry is one the leading sectors in Pakistan and considered the largest sector of Pakistan after textile sector. The country is passing through some very turbulent times. The global recession has a major impact on Pakistan's economy. In addition to terrorism threats and power shortages have been other major challenges of time. Therefore economic growth has remained muted in 2009 and these were hard times being faced by world economies.

I have taken financial data of sample companies and their corporate governance disclosures from their annual reports for 2009 available on the website of Karachi Stock Exchange. The annual reports used for extraction of data was the last completed financial year i.e. FY2009. These reports were used to extract data both for creation of CGI and factors constituting firm performance. In addition certain data pertaining to share prices was extracted from the Karachi Stock Exchange website from historical data section.

Experts argue that the stock prices are related to governance practices. If their contentions are valid, a market premium should exist for relatively well-governed firms. Gompers et al. (2003), Bebchuk and Cohen (2004) and Bebchuk, Cohen and Ferrell (2004) show that firms with stronger stockholder rights have higher Tobin Q's (the same has been used in this analysis to measure valuation).

Arnott and Asness (2003) find that firms with relatively smaller dividend payouts have relatively lower earnings growth, suggesting that better-governed firms pay out more cash to shareholders, the third measure for firm performance in this analysis.

The correlation of CGI with firm performance measures of the respective firms was computed to test the viability of the hypothesis. The firm performance was measured using almost similar factors as used by Brown and Caylor in 2004, spread across three categories: operating performance, valuation and shareholder payout.

Similar measures (return on equity, profit margin and sales growth) have also been used by Gompers, Ishii and Metrick (2003). They had also used Tobin's Q to measure firm's valuation, as had previously been considered by others (e.g., Demsetz and Lehn (1985); Morck, Shleifer and Vishny 1988; Bebchuk and Cohen (2003); Bebchuk, Cohen and Ferrell (2004)). The measure of shareholder payout (dividend yield) has previously also been used by Fenn and Liang (2001) and Dittmar (2000).

The following performance measures are used in this analysis:

Operating Performance

$$\text{Return on Equity} = \frac{\text{Net Profit Generated During the Year}}{\text{Average Equity of the Firm at Year End}} \%$$

$$\text{Net Profit Margin} = \frac{\text{Net Profit Generated During the Year}}{\text{Total Revenue of the Firm at Year End}} \%$$

$$\text{Sales Growth} = \frac{\text{Current Year's Total Revenue} - \text{Last Year's Total Revenue}}{\text{Last Year's Total Revenue}} \%$$

Valuation

$$\text{Tobin's } Q = \frac{(\text{Total Assets} + (\text{Share Price} * \text{Share Issued}) - \text{Total Equity} - \text{Deferred Taxes})}{\text{Total Taxes}} \%$$

$$\text{Dividend Yield} = \frac{\text{Divident per Share Declared for the Year}}{\text{Market Value of Share}} \%$$

I performed three types of cross-sectional analyses, similar to Brown and Caylor (2004). I first correlate CGI Score with each variable using Pearson correlation. To assess which categories and factors are associated with good or bad performance, I secondly correlate the four performance measures with the four governance categories using Pearson correlation and lastly all the 40 factors are correlated with the five performance measures using Pearson correlation.”

Data Analysis & Empirical Findings

The score index (CGI) which had 40 elements could result in a maximum score of 100.00 as 100%. However, in terms of the actual score achieved, the overall results were not too good with a minimum score of only 41.5 and a maximum of 64, which results in a mean value of 52.38 (that in percentage terms is only a score of 52%), range is 22.5, and Mean deviation is 4.5804 and a Standard deviation of 5.65.

The total CGI score of each company in descending order is displayed in the table below: There are only three companies which scored more than 60% being Faran Sugar Mills Limited, Tandlianwala Sugar Mills Limited and JDW Sugar Mills Limited.

However, Chashma Sugar Mills Limited got the lowest score (CGI=41.5). This clearly depicting that on an average the corporate governance disclosure by sugar sector is not of high quality. The areas scored through the CGI were:

- Shareholders Rights
- Equity Structure
- Board Composition
- Transparency & Disclosure

Table 1: CGI score of companies in ascending order.

No.	Company	Total Score	Score Gained from			
			Shareholders Rights	Equity Structure	Board Composition	Transparency & Disclosure
1.	Faran Sugar Mills Limited	64.0	20.0	7.5	16.5	20
2.	Tandlianwala Sugar Mills Limited	62.5	20.0	10.0	15.0	18
3.	J. D. W. Sugar Mills Limited	61.0	20.0	7.5	13.5	20
4.	Mirza Sugar Mills Limited	59.0	20.0	12.5	9.0	18
5.	Shahtaj Sugar Mills Limited	59.0	20.0	7.5	14.0	18
6.	Haseeb Waqas Sugar Mills Limited	57.0	20.0	7.5	12.0	18
7.	Habib Sugar Mills Limited	56.5	15.0	7.5	14.0	20
8.	Mehran Sugar Mills Limited	56.5	20.0	5.0	11.5	20
9.	The Thal Industries Corporation Ltd.	55.0	15.0	11.0	9.0	20
10.	AL-Abbas Sugar Mills Limited	54.0	17.5	7.5	14.0	15
11.	Ansari Sugar Mills Limited	54.0	15.0	7.5	11.5	20
12.	Premier Sugar Mills	54.0	15.0	5.0	14.0	20
13.	Frontier Sugar Mills Limited	52.5	15.0	7.5	10.0	20
14.	Fecto Sugar Mills Limited	51.5	15.0	7.5	9.0	20
15.	Kohinoor Sugar Mills Limited	51.5	17.5	7.5	6.5	20
16.	Sakrand Sugar Mills Limited	51.0	17.5	7.5	8.5	18
17.	Noon Sugar Mills Limited	50.0	17.5	5.0	7.5	20
18.	Colony Sugar Mills	49.5	15.0	0.0	17	18
19.	Abdullah Shah Ghazi Sugar Mills Ltd.	49.0	15.0	5.0	9.0	20
20.	Adam Sugar Mills Limited	49.0	17.5	7.5	6.5	18
21.	Pangrio Sugar Mills Limited	49.0	15.0	7.5	9.0	18
22.	Al-Noor Sugar Mills Limited	48.5	20.0	2.5	6.0	20
23.	Crescent Sugar Mills Limited	48.5	15.0	5.0	13.5	15
24.	Hussein Sugar Mills Limited	47.5	15.0	5.0	7.5	20
25.	Bawany Sugar Mills Limited	46.5	15.0	7.5	6.5	18
26.	Dewan Sugar Mills Limited	44.5	15.0	2.5	7.0	20
27.	Baba Farid Sugar Mills Limited	44.0	15.0	5.0	9.0	15
28.	Chashma Sugar Mills Limited	41.5	15.0	5.0	4.0	18

In first section there was 10 specific elements regarding Shareholders rights and their implementation and each element was allotted 2.5 score.

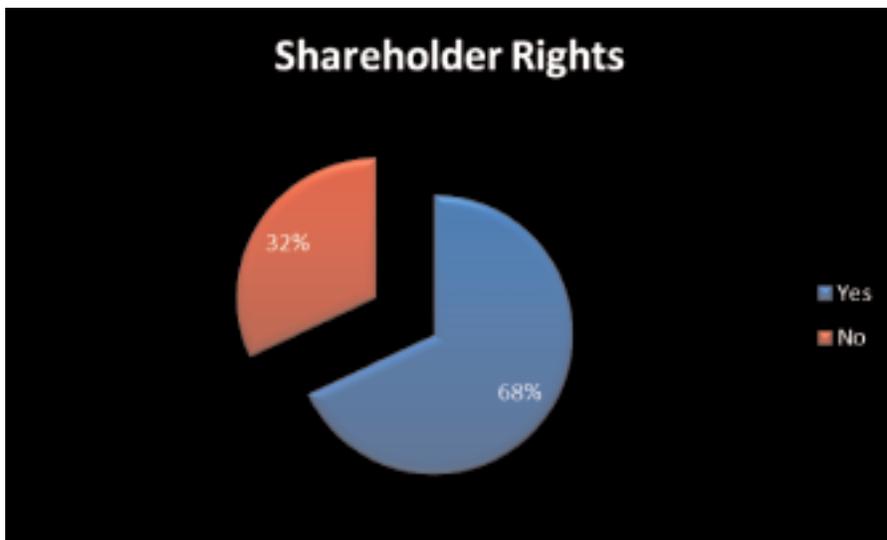


Figure 1: Share Holders Rights - Defined and Protected

In Pakistan basic shareholders rights are protected by regulatory authority. The following basic shareholders rights are strongly observed in Pakistan (Reported by World Bank Survey 2005)

1. Secure method of ownership registration
2. Convey or transfer of shares
3. Obtain relevant and material company information on a timely and regular basis
4. Participate and vote in general shareholder meetings
5. Elect and remove board members
6. Share in profits of the corporation

Registration is secured and in the process of being dematerialized through the CDC. Shareholders can demand a variety of information from company directly and have a clear right to participate in the annual general meeting of shareholders (AGM). Directors are elected by shareholders voting and can be removed through shareholders' resolution anytime. Change to company's basic documents like article of association, increasing authorized capital and sale of major corporate assets all require shareholder consent.

Due to strong application of shareholders rights and their protection in Pakistan the scoring in first section i.e 'YES' score was 68% that is second largest after transparency and disclosure.

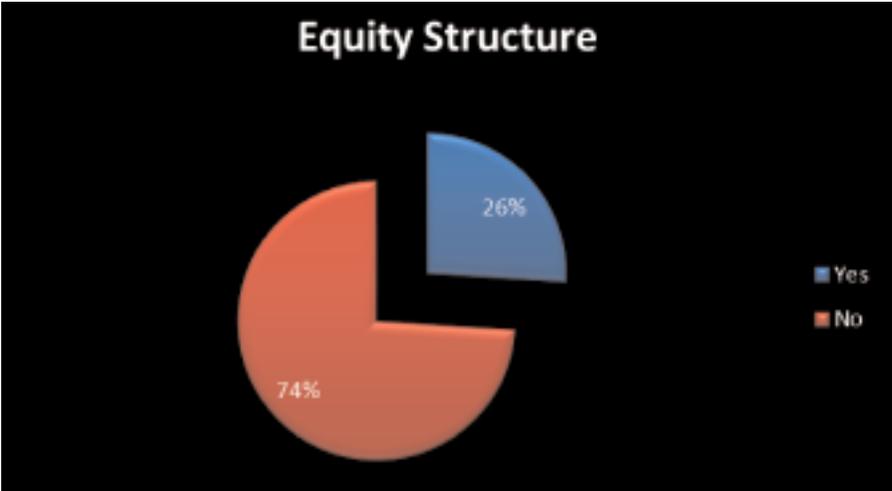


Figure 2: Equity Structure

The lowest scored area was related to the equity structure in public listed company that was 26%. Ownership is concentrated in Pakistan; principal controlling shareholders are State, Families and foreign multinational companies. Families make extensive use of pyramiding to maintain control over their business groups. This ownership structure combined with high thresholds to initiate corporate actions, having limited effective protection of external investors and minority shareholders.

Historically the role of institutional investors has been limited, despite the fact that government owned investment funds were often represented on the boards of their portfolio companies but from last 5 years the role of institutional investor is mounting and has been observed an optimistic indication.

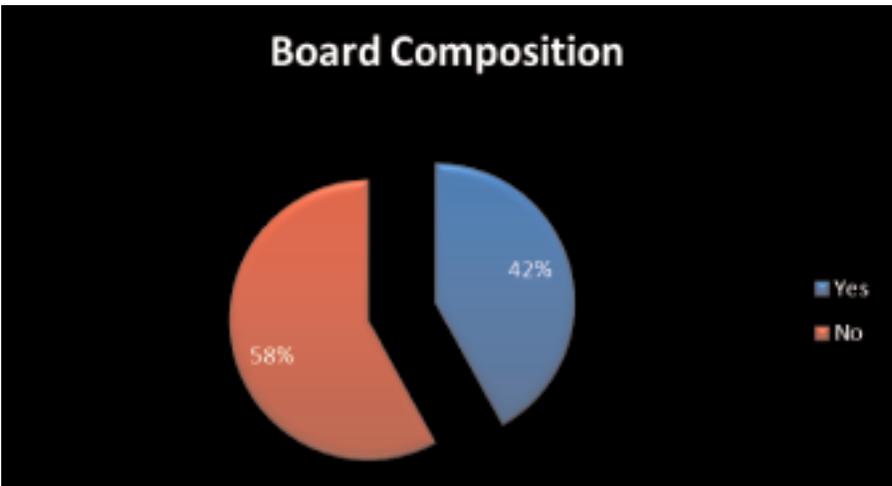


Figure 3: Board Composition

In business groups, boards are dominated by executive and non-executive members of the controlling families and by proxy directors appointed to act on their behalf. Inter-locking directorship is often used to retain majority control. Family dominated boards are less able to protect minority shareholders, and risk a loss of competitiveness as other boards become more professional.

One of the objectives of the Code is to revitalize the role of boards in the governance of firms. The Code strengthens the role of non-executive directors, restricting the percentage of executive directors to 75 percent in non-financial firms and recommending that institutional investors be represented.

In this section, comprising of 10 specific elements, the consolidated average 'YES' score was 42%.



Figure 4: Transparency and Disclosure

Transparency and Disclosure section gained highest score and gained “70”. It is generally agreed that the quality and timeliness of financial disclosure has improved over the past few years. This is in part attributed to the increasing monitoring role of the SECP and to the requirements of the new Code. Law and regulation require the disclosure of most non-financial items recommended by the OECD Principles. State Bank of Pakistan (SBP) mandates comprehensive disclosure for banks and Development Financial Institutions.

Shareholders owning 10% or more of voting shares must disclose their ownership and the annual report includes the pattern of major shareholders. Pakistan follows IAS 24 and there is general agreement that actual disclosure of related party transactions leaves much to be desired. The SECP issued a specific guideline to have

more information on related party transactions. The disclosure about remuneration of chief executive and other executives and the board is mandatory separately.

The data with regards to firm performance of the sample firms has had varied results. Five (5) companies in the sample having negative equity, due to accumulated loss in previous year their equity and reserve sections was showing negative results. Of the remaining 23 companies, 21 had made profits and their returns ranged between 1–64% with five companies having returns on equity in double figures.

Table 2: Return on Equity.

CGI	COMPANY NAME	ROE (%)
64.0	Faran Sugar Mills Limited	19.16
62.5	Tandlianwala Sugar Mills Limited	3.05
61.0	J. D. W. Sugar Mills Limited	27.03
59.0	Mirza Sugar Mills Limited	25.48
59.0	Shahtaj Sugar Mills Limited	3.19
57.0	Haseeb Waqas Sugar Mills Limited	15.07
56.5	Habib Sugar Mills Limited	24.62
56.5	Mehran Sugar Mills Limited	52.72
55.0	The Thal Industries Corporation Limited	37.59
54.0	AL-Abbas Sugar Mills Limited	25.0
54.0	Ansari Sugar Mills Limited	12.0
54.0	Premier Sugar Mills	36.58
52.5	Frontier Sugar Mills Limited	19.96
51.5	Fecto Sugar Mills Limited	-13.36
51.5	Kohinoor Sugar Mills Limited	51.75
51.0	Sakrand Sugar Mills Limited	60.29
50.0	Noon Sugar Mills Limited	5.49
49.5	Colony Sugar Mills	23.05
49.0	Abdullah Shah Ghazi Sugar Mills Limited	64.23
49.0	Adam Sugar Mills Limited	26.0
49.0	Pangrio Sugar Mills Limited	-31.68
48.5	Al-Noor Sugar Mills Limited	14.0
48.5	Crescent Sugar Mills Limited	-12.67
47.5	Husseini Sugar Mills Limited	-24.71
46.5	Bawany Sugar Mills Limited	-15.74
44.5	Dewan Sugar Mills Limited	-24.22
44.0	Baba Farid Sugar Mills Limited	-46.0
41.5	Chashma Sugar Mills Limited	0.82

Twenty one (21) of the twenty eight (28) sample companies were in profit and the net profit margins of these 21 companies ranged between 1–43%. Ten of the sample companies managed to attain a net profit margin in double digits thirteen (13) companies earn profit in one digit.

Table 3: Net Profit Margin.

CGI	Company Name	Net Profit Margin (%)
64.0	Faran Sugar Mills Limited	30.96
62.5	Tandlianwala Sugar Mills Limited	0.65
61.0	J. D. W. Sugar Mills Limited	6.63
59.0	Mirza Sugar Mills Limited	24.96
59.0	Shahtaj Sugar Mills Limited	1.77
57.0	Haseeb Waqas Sugar Mills Limited	3.54
56.5	Habib Sugar Mills Limited	12.48
56.5	Mehran Sugar Mills Limited	6.53
55.0	The Thal Industries Corporation Limited	5.15
54.0	AL-Abbas Sugar Mills Limited	6.78
54.0	Ansari Sugar Mills Limited	40.67
54.0	Premier Sugar Mills	42.88
52.5	Frontier Sugar Mills Limited	10.68
51.5	Fecto Sugar Mills Limited	-6.58
51.5	Kohinoor Sugar Mills Limited	0.90
51.0	Sakrand Sugar Mills Limited	28.39
50.0	Noon Sugar Mills Limited	8.76
49.5	Colony Sugar Mills	7.71
49.0	Abdullah Shah Ghazi Sugar Mills Limited	11.85
49.0	Adam Sugar Mills Limited	4.19
49.0	Pangrio Sugar Mills Limited	31.81
48.5	Al-Noor Sugar Mills Limited	2.82
48.5	Crescent Sugar Mills Limited	-6.81
47.5	Hussein Sugar Mills Limited	-5.07
46.5	Bawany Sugar Mills Limited	38.50
44.5	Dewan Sugar Mills Limited	-9.58
44.0	Baba Farid Sugar Mills Limited	-18.28
41.5	Chashma Sugar Mills Limited	3.50

In the long run frame, a company can show good performance if it has a steady sales growth as this helps it in enhancing its market positioning amongst other factors. As FY2009 was not a good year for the economy due to energy crises in Pakistan, natural disaster and terrorist activities but sugar sector is showing growth in sales.

Table 4: Sales Growth

CGI	Company Name	Sales Growth (%)
64.0	Faran Sugar Mills Limited	64%
62.5	Tandlianwala Sugar Mills Limited	145%
61.0	J. D. W. Sugar Mills Limited	-13%
59.0	Mirza Sugar Mills Limited	4%
59.0	Shahtaj Sugar Mills Limited	42%
57.0	Haseeb Waqas Sugar Mills Limited	3%
56.5	Habib Sugar Mills Limited	7%
56.5	Mehran Sugar Mills Limited	87%
55.0	The Thal Industries Corporation Limited	3%
54.0	AL-Abbas Sugar Mills Limited	4%
54.0	Ansari Sugar Mills Limited	-0.15%
54.0	Premier Sugar Mills	5%
52.5	Frontier Sugar Mills Limited	15%
51.5	Fecto Sugar Mills Limited	19%
51.5	Kohinoor Sugar Mills Limited	45%
51.0	Sakrand Sugar Mills Limited	8%
50.0	Noon Sugar Mills Limited	15%
49.5	Colony Sugar Mills	7%
49.0	Abdullah Shah Ghazi Sugar Mills Limited	102%
49.0	Adam Sugar Mills Limited	62%
49.0	Pangrio Sugar Mills Limited	-8%
48.5	Al-Noor Sugar Mills Limited	39%
48.5	Crescent Sugar Mills Limited	-2%
47.5	Hussein Sugar Mills Limited	-11%
46.5	Bawany Sugar Mills Limited	2%
44.5	Dewan Sugar Mills Limited	-47%
44.0	Baba Farid Sugar Mills Limited	-50%
41.5	Chashma Sugar Mills Limited	-1%

Table-5: Tobin's Q.

CGI	Company Name	Tobin Q (%)
64.0	Faran Sugar Mills Limited	625
62.5	Tandlianwala Sugar Mills Limited	153
61.0	J. D. W. Sugar Mills Limited	1285
59.0	Mirza Sugar Mills Limited	909
59.0	Shahtaj Sugar Mills Limited	863
57.0	Haseeb Waqas Sugar Mills Limited	976

56.5	Habib Sugar Mills Limited	708
56.5	Mehran Sugar Mills Limited	2819
55.0	The Thal Industries Corporation Limited	314
54.0	AL-Abbas Sugar Mills Limited	713
54.0	Ansari Sugar Mills Limited	630
54.0	Premier Sugar Mills	929
52.5	Frontier Sugar Mills Limited	1087
51.5	Fecto Sugar Mills Limited	1600
51.5	Kohinoor Sugar Mills Limited	1156
51.0	Sakrand Sugar Mills Limited	1668
50.0	Noon Sugar Mills Limited	1002
49.5	Colony Sugar Mills	297
49.0	Abdullah Shah Ghazi Sugar Mills Limited	912
49.0	Adam Sugar Mills Limited	423
49.0	Pangrio Sugar Mills Limited	358
48.5	Al-Noor Sugar Mills Limited	791
48.5	Crescent Sugar Mills Limited	190
47.5	Hussein Sugar Mills Limited	1075
46.5	Bawany Sugar Mills Limited	285
44.5	Dewan Sugar Mills Limited	665
44.0	Baba Farid Sugar Mills Limited	1309
41.5	Chashma Sugar Mills Limited	777

The Tobin's Q ratio compares the market value of a company against the company's assets. A higher ratio indicates that the market value of the company is greater than that of its assets while a ratio of less than one indicates that the market value is less than the value of the company's assets. In the sample 28 companies, all had a positive ratio.

Table 6: Dividend Yield.

CGI	Company Name	Dividend Yield (%)
64.0	Faran Sugar Mills Limited	57
62.5	Tandlianwala Sugar Mills Limited	0
61.0	J. D. W. Sugar Mills Limited	127
59.0	Mirza Sugar Mills Limited	81
59.0	Shahtaj Sugar Mills Limited	121
57.0	Haseeb Waqas Sugar Mills Limited	0
56.5	Habib Sugar Mills Limited	155
56.5	Mehran Sugar Mills Limited	64
55.0	The Thal Industries Corporation Limited	170

54.0	AL-Abbas Sugar Mills Limited	194
54.0	Ansari Sugar Mills Limited	0
54.0	Premier Sugar Mills	0
52.5	Frontier Sugar Mills Limited	147
51.5	Fecto Sugar Mills Limited	0
51.5	Kohinoor Sugar Mills Limited	134
51.0	Sakrand Sugar Mills Limited	161
50.0	Noon Sugar Mills Limited	80
49.5	Colony Sugar Mills	0
49.0	Abdullah Shah Ghazi Sugar Mills Limited	0
49.0	Adam Sugar Mills Limited	82
49.0	Pangrio Sugar Mills Limited	0
48.5	Al-Noor Sugar Mills Limited	18.07
48.5	Crescent Sugar Mills Limited	0
47.5	Hussein Sugar Mills Limited	0
46.5	Bawany Sugar Mills Limited	0
44.5	Dewan Sugar Mills Limited	0
44.0	Baba Farid Sugar Mills Limited	0
41.5	Chashma Sugar Mills Limited	0

The dividend yield ratio compares the latest dividend received with the current market value of the share as an indicator of the return being earned on the shares. With FY2009 being a year with negative sales growth in many sectors in general, the profitability position also suffered. Out of the 28 sample companies, twelve (12) companies managed to improve upon their previous year's sales and accordingly 23 companies made profits with 5 making losses. This negative impact on the profitability leads to low dividend declaration in the sugar industries during FY2009, with only 14 companies announcing a dividend. Dividend ranged between Rs. 1.81 per share to Rs. 19.40 per share with Al-Abbas Sugar Mills Limited declaring the highest dividend.

I performed various cross-sectional analyses, similar to Brown and Caylor (2004). I first correlated CGI Score with each variable using Pearson correlations. The three variables under operating performance i.e. return on Equity, Net Profit Margin and Sales Growth has a positive association with CGI score. The strongest association amongst all factors is that of Sales growth with companies having a higher score 0.45.

In valuation, Tobin's Q, has very small association with the CGI score with a value of 0.08. This confirms the common perception prevalent in the country

that good governance practices are not adding much to the value of a firm and listed concerns are only following the corporate governance regulations to conform with regulations and not for the betterment of the company in particular and the business segment in general.

Under shareholder payout, dividend Yield also has positive association with the CGI score. With FY2009, being a bad year for Pakistani economy, profitability levels are barely positive for a number of companies in the sector and accordingly, dividend payout was low resulting in a low dividend yield across the country.

Conclusion

The aim of this paper is to analyze the link between the corporate governance quality and performance of Pakistani listed firms.

I analyze the performance effects of corporate governance quality with reference to both valuation and operating performance. I prepared a Corporate Governance Index with the help of 40 indicators in for sectors of corporate governance (Shareholder Rights, Equity Structure, Board Composition and Transparency and Disclosure). I compare CGI with Operating performance and valuation and finds positive results.

The factor which was present in the annual reports of all the 28 companies was the presence of a Mission and Vision statement, Corporate Strategy Statement while those found completely lacking were: Profile of directors and length of their association with the company specially non executive directors, Board's governing principles, Scope of Board Committees, CEO's review in Annual report, Profiles of the Executive Management, and Executive Management Committees and their scope.

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Performance Evaluation of Mutual Funds with Reference to Pakistan

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Ramiz Ur Rehman***

Abstract

The aim of conducting this research is to find out the investment tendency in mutual funds of Pakistan, Conventional Vs Islamic. The study is also aimed at finding out the role of mutual funds investment in Pakistan. This study also finds out the factors effecting the investment in mutual funds and measures the performance of mutual funds through the models which are used worldwide to evaluate the investment tendency in the area of mutual funds through portfolio (Risk/Return) Sharp Measure and Treynor Measure, to make the best point for investment through graphical representation for both conventional and Islamic, which is much easier to take better decision for investment either selling or buying.

Key words: *Mutual Funds, Investment tendency, Conventional and Islamic Mutual Funds, Factors affecting investment.*

Introduction

Many individual investors make their first entrance into the universe of “real money” investing via mutual fund. Mutual funds are the popular investment vehicles for both the small and large investors. The first mutual fund was founded in 1924 by the “Massachusetts Investors Trust”. A mutual fund is an existing portfolio of assets into which someone may invest directly. Mutual funds are technically called investment companies. Mutual fund is a professionally managed type of collective investment scheme that pools of capital from many investors and invests it in stock, bonds, short-term, long-term investment, market instruments etc. by the end of 1997 there were 9,400 mutual funds in the United States, with assets totaling \$4.49 trillion (including the close end companies). This is a 25 per cent increase since the end of 1996. These are continuously extend their implication so, from 1991 to 1997 in the U.S, the value of corporate equities held by mutual funds increased ten-fold, from \$309 billion in 1991 to \$4.49 trillion in 1997. In contrast, direct ownership of common stock increased only three-fold during the same period, from \$2.6 trillion to \$7.8 trillion. In 1991, 6.4 per cent of common stocks were held

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indirectly through mutual funds; in 1999, that figure had grown to 18 per cent. In 1999, nearly half of all U.S. households owned a mutual fund. Given the size and growing importance of mutual fund investors, it is important to gain a better understanding of their behavior. The mutual fund industry in Pakistan was introduced in 1962. National Investment Trust (NIT), launched in 1964, and Investment Corporation of Pakistan (ICP), a close-end fund launched in 1966.

ICP subsequently offered a series of close-end mutual funds. Up to early 1990's, twenty six (26) close-end ICP mutual funds had been floated by Investment Corporation of Pakistan. After considering the option of restructuring the corporation, government decided to wind up ICP in June, 2000. In 2002, the Government started Privatization of the Investment Corporation of Pakistan. 25 Out of 26 close-end funds of ICP were split into two lots. There had been a competitive bidding for the privatization of funds. Management Right of Lot-A comprising 12 funds was acquired by ABAMCO Limited. Out of these 12, the first 9 funds were merged into a single close-end fund and that was named as ABAMCO Capital Fund, except 4th ICP mutual fund as the certificate holders of the 4th ICP fund had not approved the scheme of arrangement of Amalgamation into ABAMCO capital fund in their extra ordinary general meeting held on

December 20, 2003. The fund has , therefore, been reorganized as a separate close-end trust and named as ABAMCO Growth Fund. Rest of the three funds were merged into another single and named as ABAMCO Stock Market Fund. So far as the Lot-B is concerned, it comprised of 13 ICP funds, for all of these thirteen funds, the Management Right was acquired by PICIC Asset Management Company Limited. All of these thirteen funds were merged into a single close-end fund which was named as "PICIC Investment Fund". Later on the 26th fund of ICP (ICP-SEMF) was also acquired by PICIC Asset Management Company Limited. The certificate holders in extraordinary general meeting held on June 16, 2004 approved the reorganization of SEMF into a new close-end scheme renamed as PICIC Growth Fund. The Securities and Exchange Commission of Pakistan subsequently authorized PGF on July 30, 2004.

In the last few years mutual fund industry has shown significant progress with reference to saving mobilization and important part of the overall financial markets. But still we are far behind the developed countries mutual fund industry. Growth in mutual funds worldwide is because of the overall growth in both the size and maturity of many foreign capital markets. These nations have increasingly used debt and equity securities rather than bank loans to finance economic expansion. The Pakistan economy can prosper because of the benefits

of new investment opportunities arising from economic reform, privatization, lowered trade barriers and rapid economic growth.

Individuals throughout the world have the same basic needs that are education for their children, health, good living standard and comfortable retirement. In our country where people are religious minded, mostly they avoid bank schemes for investments, if they are provided an investment opportunity which suits the religion, we can mobilize savings from masses which may be laying an idle money at present. By doing so we would be able to improve the living standard of our countrymen through economic prosperity. This can be achieved through the introduction of different species of mutual funds and their performance. The success of this sector depends on the performance and the role of regulatory bodies. Excellent performance and stringent regulations will increase the popularity of mutual funds in Pakistan.

Literature review

We argue that mutual fund investors use simple decision heuristics when selecting mutual funds to purchase or sell. When purchasing funds, we posit that investors use a representativeness heuristic, where recent performance is deemed overly representative of a fund manager's true ability. When selling funds, this representativeness heuristic is more than offset by investors' reluctance to realize losses (the disposition effect).

In the early 1960s the investment community talked about risk, but there was no specific measure for that term. How investors quantify their risk about investment, the basic portfolio model was developed by Harry Markowitz (1952-1959). Markowitz showed the importance of portfolio management and to calculate the risk of portfolio (Systematic or Un-systematic).

Ross (1976-1977) to develop the Arbitrage Pricing Theory, which is most beneficial to achieve the maximum return with lowest risk.

Carpenter, Michal D. & David E. (1981) discussed the trading volume and Beta stability. Beta is the principle of risk in single investment as well as portfolio investment in mutual fund.

H. Mendelson (1987) active performance of trading mechanism accomplishes the highest return of stocks.

Keith C. Brown & W.V. Harlow (1989) discussed the uncertainty for a rational investor; the best management of portfolio manger reduces the uncertainty through selection the active performance of funds.

Bailey & Joseph Lin (1992) evaluate the diversification benefits and further

diversification of portfolio for entrance of the new investor in portfolio.

Martin J. Gruber & Edwin J. Elton (1993) evaluates the performance of bond mutual funds and discussed its importance in the real world of investment. If investors rely on a representativeness heuristic when selecting mutual funds, they will underestimate the tendency of fund performance to mean revert and thus anticipate better relative performance than is realized.

The fact that more money is invested in active than passive funds despite the superior historical performance of the latter is “prima facie” evidence that most investors believe that some mutual fund managers have the ability to consistently beat the market. Surveys also reveal that investors rely heavily on past performance when evaluating their fund purchase decisions.

Capon, Fitzsimons, and Prince (1996). The decision to sell a mutual fund is quite different from the decision to purchase a fund. Most investors hold few funds. In (1998), the average household held five mutual funds. Thus, unlike purchases where investors have thousands of funds to choose from; investors have only a handful of funds from which to choose when selling. Using the representativeness heuristic, investors would view poor fund performance as overly representative of a manager’s skill and sell losing fund investments. However, this representativeness heuristic is partially offset by investors’ desire to avoid the recognition of losses or loss aversion.

Brad M. Barber & Terrance Odean (2000) detail discussed about the performance of mutual funds return and to evaluate with other securities.

S. M. Aamir Shah & Syed Tahir Hijaz (2004) Pakistan Mutual Fund Industry evaluates mutual fund performance using a survivorship bias controlled sample of funds.

Now, the main purpose of this research is to examine the risk and return characteristics of Pakistan equity mutual funds. Risk-adjusted performance is evaluated using two evaluation techniques, i.e., Sharp measure & Treynor measure. We suspect that investors use both the investment frame and the agency frame. Which frame dominates in the buying or selling decisions of mutual fund investors is an empirical question, which we address in this research. We provide well-built evidence that it is the disposition effect, rather than the agency frame, that determines which funds investors buy or sell.

Objectives of the Study

- ❖ Precise the risk
- ❖ Enhance the investment

- ❖ Buying & selling strategy
- ❖ To explore the best point for investment

Research Methodology and Empirical Results

The Sample

Mutual fund industry in Pakistan has witnessed significant change and growth in terms of private sector participation, divestment of public sector funds. At present we have selected 10 mutual funds 5 are conventional and 5 are Islamic which showed their best performance in couple of years especially after the global recession. We focus on both terms of mutual funds; open-ended as well as close-ended. As we are concerned with survivorship bias controlled data, we focus on those funds that reflect the best possibility to investment for investor with all respect of Risk-Return characteristics.

Sources of Data

Annual reports of all funds for the period from 2006 to 2008 have been used for data collection. For this purpose different sources have been used; Asset Management Companies of the funds, Stock exchanges, SECP and internet. Data for Treasury bills rate was collected from Statistical Bulletins of State Bank of Pakistan.

Variables

Variables picked for the investment tendency of mutual funds are net asset value, number of certificates/shares outstanding, earning per certificate and net asset value per certificate/share, monthly returns of KSE 100 index, monthly treasury bill rates. Return of fund was calculated dividing return per certificate. Net asset value per certificate was calculated by deducting total liabilities from total assets of the year or by taking shareholders equity. Return of a fund may also be calculated dividing net income after taxes of a fund by opening net assets of the fund for that year.

Methodology and Empirical Results

There are four models which are used worldwide for evaluating the investment tendency of mutual funds (1) Sharp Measure (2) Treynor Measure (3) Jensen differential Measure (4) Fama French Measure. We have used the first two measures excluding Jensen differential measure & Fama French Measure. The reason for not using Jensen differential measure, we calculate individual funds return and portfolio funds return excluding abnormal returns specifically in recession period because Jensen differential measure is mainly

used to calculate the abnormal return of a portfolio that is difference between the actual average return earned by a portfolio and the return that should have been earned by the portfolio given the market conditions and the risk of the portfolio, and not using for Fama French Model is that for this model we needed data on book to market ratio for all companies which we have selected listed at KSE which could not be made available.

The Sharpe Model

In 1960 William F. Sharpe started to work on portfolio theory as thesis project. He introduced the concept of risk free asset. Combing the risk free asset with the Markowitz efficient portfolio he introduced the capital market line as the efficient portfolio line. The model given by Sharpe, we can proceed further to use it for the determination of expected rate of return for a risky asset, which led to the development of CAPM capital asset pricing model. Through this model an investor can know what should be the required rate of return for a risky asset. The required rate of return has a great significance for the valuation of securities, by discounting its cash flows with the required rate of return.

In order to determine which portfolio offering the most favorable risk/return trade-off, we compute the ratio of the historical returns in excess of the risk-free rate to the standard deviation of the portfolio returns. The portfolio offering the highest reward/risk ratio then is the only risky portfolio in which investors will choose to invest. Using average returns of the portfolio uses Sharpe ratio to measure ex-post portfolio performance.

Sharpe introduced the following reward to variability ratio (known as Sharpe ratio)

$$\text{Sharpe Ratio} = \frac{R_p - R_f}{\sigma_p}$$

R_p = the observed average fund return;

R_f = the average risk free return;

σ_p = the standard deviation of fund returns.

The Sharp measure Conventional

	Return	Risk free	SD
AKD	0.0885	0.09863525	0.390920992
FAYSAL	0.0822		0.138816025
PAK SMF	0.0736		0.226321229
PICIC	0.0622		0.096230974
ATLAS	0.0461		0.164001925

Rank The Sharp measure

AKD	-0.02597
PAK SMF	-0.11084
FAYSAL	-0.11876
ATLAS	-0.32033
PICIC	-0.37862

Islamic

	Return	Risk free	SD
PAK INTL	0.1316	0.09863525	0.144679856
MBF	0.1129		0.144531418
MIF	0.0417		0.348120081
UCI	0.0287		0.167696670
UTP	-0.0809		0.273520646

Rank The Sharp measure

PAK INTL	0.22785
MBF	0.09835
MIF	-0.16369
UCI	-0.41733
UTP	-0.65620

This model is used to measure the performance of a managed portfolio in respect of return per unit of risk. This ratio also measures the portfolio manager's ability on the basis of rate of return performance and diversification by taking into account total risk of the portfolio.

The neither Treynor Model

Treynor introduced two types of risks. One risk is called Systematic risk which is associated with market and cannot be diversified away. However, this type of risk can be calculated through "beta". Treynor says that portfolio expected return depends on its beta. The other type of risk which he separated

from systematic risk is unsystematic risk. Unsystematic risk is specific to a company. The uncertainty attached with the specific company can be diversified away. Treynor model is used to measure the performance of a managed portfolio in respect of return per unit of risk (systemic risk). In this way the mutual fund provides the highest return per unit of risk (systemic risk) will be preferred as compared to the fund provides low return per unit of risk. Treynor ratio uses Beta as a risk measure hence considers the Systematic risk. This ratio also measures the portfolio manager's ability on the basis of rate of return performance and diversification by taking into account systemic risk of the portfolio. This ratio measures the historical performance of managed portfolio in terms of return per unit of risk (systemic risk).

$$\text{Sharpe Ratio} = \frac{R_p - R_f}{\beta}$$

R_p = the observed average fund return;

R_f = the average risk free return;

β = coefficient as a measure of systematic risk / average portfolio beta

CONVENTIONAL FUNDS

Average Portfolio Return =	0.0705
Average Return of Risk Free Rate =	0.0986
Average Portfolio Beta =	0.3826
Treynor Measure =	-0.07353893

ISLAMIC FUNDS

Average Portfolio Return =	0.0468
Average Return of Risk Free Rate =	0.0986
Average Portfolio Beta =	0.4100
Treynor Measure =	-0.126478197

Islamic Funds is better performance than Conventional funds because the Treynor Ratio of Islamic Fund is higher than Conventional Treynor Ratio.

Treynor Ratio indicates that the portfolio offering the highest reward/risk (systemic risk) ratio will be the only risky portfolio in which investors will choose to invest. The assumption is that the portfolio manager has diversified away the diversifiable risk (unsystematic risk/company specific risk) and the matter of concern for the investor should be the systematic risk (non-diversifiable/market risk) only, instead of total risk.

Conclusion

This paper provides an overview of the Pakistani mutual fund industry and investigates the mutual funds risk adjusted investment tendency using mutual fund performance evaluation models. Survivorship bias controlled data funds are used for the evaluation of investment tendency on mutual funds. Mutual funds industry in Pakistan is still in growing phase. Overall results suggest that mutual funds in Pakistan are able to add more value either Conventional or Islamic. Islamic mutual funds perform better results as compared to conventional but still conventional funds continuously doing well to enhance their investment with sustainable returns. Where as results also show some of the funds under perform, these funds are facing the diversification problem. Worldwide there had been a tremendous growth in this industry; this growth in mutual funds worldwide is because of the overall growth in both the size and maturity of many foreign capital markets, we are far behind. The need of the hour is to mobilize saving of the individual investors through the offering of variety of funds (with different investment objectives). The funds should also disclose the level of risk associated with return in their annual reports for the information of investors and prospective investors. This will enable the investors to compare the level of return with the level of risk. The success of this sector depends upon the performance of funds industry and the role of regulatory bodies. Excellent performance and stringent regulations will increase the popularity of mutual funds in Pakistan.

Recommendations

By conducting this research, the researcher felt many things, which should be done to upgrade the status of mutual fund investments. So, taking full advantage of this platform, the researcher wants to recommend certain things to the people who would like to do some further study upon this topic. There are also some suggestions for the authorities or the people who can do something practically for evaluating the investment tendency in mutual funds.

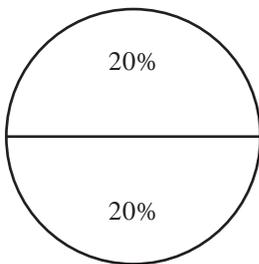
1st of all this study has been conducted on a small scale and it covers only best performance of mutual funds in selected years. The same study could be conducted on a large scale considering all mutual funds that perform their functions either in Govt. sector or private sector.

Secondly a request to government authorities is that they should enhance this investment sector to make the best possible policies to attract the investor and to

promote the value of mutual fund investment.

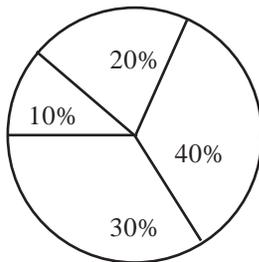
Thirdly, many techniques to promote mutual fund concept and to make paramount ratio among the funds selection are found. Awareness should be developed in the investor about this investment approach, the manager who manages this investment portfolio should select the greatest combination of funds with analysis all the parameters of risk-return and also calculate or manage the level of risk, analysis of the current financial position, economic conditions and future forecast of economic conditions.

Portfolio Allocation based on risk levels



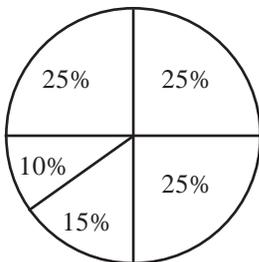
LOW-LEVEL RISK CONSERVATIVE PORTFOLIO

50% Gov't. Treasury Bill Funds
50% Money Market Funds



MODERATE-LEVEL RISK CAUTIOUSLY AGGRESSIVE PORTFOLIO

40% Growth & Income Funds
30% Gov't. Bond Funds
20% Growth Funds
10% Index Funds



HIGH-LEVEL RISK AGGRESSIVE PORTFOLIO

25% Aggressive Growth Funds
25% International Funds
25% Sector Funds
15% High Yield Bond Funds

MEASURING RISK

As you become a more experienced investor, you may want to examine other, more technical, measures to determine risk factors in your choice of funds.

Beta coefficient is a measure of the fund's risk relative to the overall market. For example, a fund with a beta coefficient of 2.0 means that it is likely to move twice as fast as the general market – both up and down. High beta coefficients and high risk go hand in hand.

Alpha coefficient is a comparison of a fund's risk (beta) to its performance. A positive alpha is good. For example, an alpha of 10.5 means that the fund manager earned an average of 10.5% more each year than might be expected, given the fund's beta.

Interest rates and inflation rates are other factors that can be used to measure investment risks. For instance, when interest rates are going up, bond funds will usually be declining, and vice versa. The rate of inflation has a decided effect on funds that are sensitive to inflation factors; for example, funds that have large holdings in automaker stocks, real estate securities, and the like will be adversely affected by inflationary cycles.

R-Square factor is a measure of the fund's risk as related to its degree of diversification.

The information is supplied here merely to acquaint you with the terminology in the event you should wish to delve more deeply into complex risk factors. The common risk factors previously described are all you really need to know for now, and perhaps for years to come.

One caveat is in order, however. There is no such thing as an absolutely 100% risk-free investment. Even funds with excellent 10 year past performance records must include in their literature and prospectuses the following disclaimer: "Past performance is no guarantee of future results." However, by not exceeding your risk tolerance level, you can achieve a wide safety and comfort zone with mutual fund portfolios such as those shown in Figure above.

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The Role of Career Management in the Economic Development: A Case Study of Pakistan

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Dr. Syed Hassan Raza **

Abstract

The paper examines the career choice and career management strategy among employees in developing economy with a collective social setup. With regard to career choice it has been found that there are other considerations in making a choice of career that take precedence over personal aspirations. Due to the nature of the study an exploratory research was conducted using focus groups as an instrument for data collection. This research will help employees as well as organization to understand the factors that influence career management and thus a reform in the HR practices can be initiated which will be in harmony with the career development objectives of the careerists.

Keywords Career development, Human resource management, Developing countries, Pakistan

Introduction

From a bi-polar world, in which the capitalist economic structure coexisted with the communism-socialism, the world has slowly but surely moved towards a uni-polar capitalist economic structure. This paved the way for the creation of global businesses which function under the capitalistic principles of maximizing profits. The world has not stopped its transition here as in the late twentieth century the world moved towards what is known as Knowledge-based capitalism. Describing this new system Richard Henderson noted that “to be successful in knowledge based capitalistic world, a passion for learning must exist that includes recognition of the need for education” (Henderson, 2003, Page 5).

These global changes have had a profound effect on the relationship that exists between organizations and their employees. Many authors (see Atkinson, 2001) have signaled a transition from Psychological contracts toward transactional contracts. A Psychological contract meant that the organization would take a paternalistic approach towards the well being of the employees, and the employees in return were expected to exhibit an unflinching loyalty to the organization (Aryee and Samuel, 1999). The new transactional contracts on the other hand are reflective of the capitalistic economic model and are short term and gain based (Adamson, Doherty, and Viney 1998).

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A number of Human resource related issues have emerged from midst these changes. Among the most important of these issues are those that pertain to the concepts of “Career” (Budhwar, 2003). A number of reputed journals are emerging on specific career issues specifically career management and planning issues

The interest in career as whole can be traced backed to the 70’s, with research seeking to explain many different dimensions of career in general and career development or career management in specific. But such research has been limited to only the developed economies of world; whereas research on the topic in developing countries is just starting to gain momentum (See Budhwar 2003, Aryee and Samuel 1999, Rees *et al* 2005)

The present study tries to add to the body of literature by conducting an investigative examination of the notions of career and career management in the context of a developing country such as Pakistan. A previous study on the same topic was conducted by Pawan S. Budhwar (2003) in the context of India. That study was conducted from the perspective of the organization. In order to make a meaningful contribution to the literature this study will take an individual’s or an employee’s perspective (i.e. what level of control employees have on managing their own careers)

The remaining paper is structured as follows. The next section will be that of literature review followed by a historical perspective on the economy of Pakistan in context of career management. This will be followed by the presentation of the research propositions and a discussion on the research method chosen. The final section will discuss the results from the research and its implications for corporate Pakistan.

Morphing of “Career”

Traditionally a career was defined as the property of the organization and in the terms of vertical progression up hierarchical system of roles. Paula M *at el* while quoting Wilensky gave the following traditional definition of a career; “A succession of related jobs, arranged in a hierarchy of prestige, through which persons move in an ordered, predictable sequence” (Pula M, 2005).

But as discussed earlier, the emergence of the new economic system, knowledge-based capitalism has drastically altered the way businesses operate. The current business scenario is that of hyper-competition where organizations are being forced to be flexible and yet competitive (Baruch and Peiperl, 1997). While summing up the effects of these environmental changes of HR practices, Mohan Thite noted that they have affected the organization HR policies both at the macro and micro level. At the macro-level HR has become a strategic

partner and Human resource is being seen as a source of competitive advantage. At the micro level organizations are increasing the use of flexible working hours, pay for performance programs, multi-rater performance evaluations.

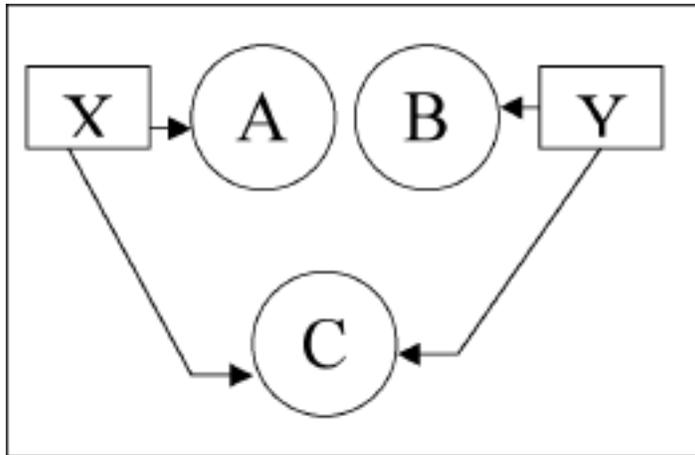
Organizations have adopted business strategies such as delaying and downsizing to become flexible and increase productivity (Grzeda, 1999). Such measures have shaken the confidence of the employees in their organizations. Employees on their part have responded by adopting a “Careerist Orientation” towards their relation with their organization (Aryee, Samuel, 1999). This orientation dictates that employees should only be concerned with their own career goals and disregard organizational goal which collide with their self interests. This conflict of interest between organization goal and individual goals has an adverse effect on the work attitudes of the employees, specifically job involvement and organizational commitment.

The above discussion merits the redefinition of the term career so it should properly reflect the organizational and individual interests in the career (Adamson, Doherty, and Viney 1998). One of the most accepted definition was given by Greenhaus, Callanan and Godshalk in the third edition of their book “Career Management”. They defined it as “the pattern of work-related experiences that span the course of a person’s life”. While explaining the definition they have pointed out the “work-related experiences” include objective events and their subjective interpretations (Godshalk, Page 9). Examples of objective events can be job positions, job duties or activities. Whereas their subjective interpretations would be work aspirations, expectations, values, needs and feelings about particular work experience. The implication of this definition is that an individual can manage his career by either changing the objective environment, which could mean a change of job, or to change one’s expectations of the job. The later refers to a subjective change of work-related events.

This definition of career is also in alignment with the concept of “protean career” put forward by Hall which considers career development as a responsibility of the individual and not the organization, and also advocates a career which spans multiple organizations (Aryee, Samuel).

Employability, the new security

In the absence of job security organization need to present their employees with other forms of incentives which will motivate them to work towards the organizational goals. One such measure is employability which refers to the human skills gained from a job which can result in higher paying jobs in the future (Greer C.R., 2001).



The concept of employability can be explained with following examples. In figure 1 the circles A,B and C represent three banks. Let's assume that bank A is a public bank with bureaucratic structures, and which employs an outdated personal system to manage the affairs of its human resource. On the other hand bank B is a commercial bank which has extensive system of Human resource Management implemented. There is proper use of job descriptions and the bank also makes extensive use of job enrichment and job rotation techniques to develop its personal image. Bank C is a new bank which opens in the locality of bank A and B. When it posted its job vacancy for a senior clerk in the local print media two applicants, one each from bank A and Bank B applied of the post. Both had worked with their respective employers for the same period and both had the same educational qualifications. Both were drawing the same amount of pay from their respective banks which for the sake of this example lets assume was 5000\$. And finally both were working as junior clerks in their banks. The applicant coming from Bank A was offered a salary of 8000\$ and the applicant coming from bank B was offered a salary of 15000\$. Though both had the same experience and the same level of responsibility and both were equally qualified so why the discrepancy of 7000\$ in the offer that was made to the two applicants. This difference is reflective of the fact that Bank C valued the applicant coming form Bank as more employable than the one from Bank B.

In the absence of Career Management; researchers are unanimous in their opinion that if there is no effort of career management undertaken, either by the organization or the employee him/herself, there will be the possibility of skills obsolescence and career plateauing (Greer C.R., 2001). Skills obsolescence occurs when the skills of the employee are out dated by a change in the technology or business methods. This curtails the productivity of the employee

and the organizations productivity will be affected. On the other hand career plateauing refers to a situation where a person has spent a long time at the same position and there are no signs of promotions in the future. This adds to the dissatisfaction of the employee which might lead to an increase in the turn over. A remedy to both these undesirable states is to have a proactive approach to career management.

Socio-Economic Sketch of Pakistan;

Since its independence from the British Rule in 1947, Pakistan's economy has been strangled by an alliance of local and neo-colonist bourgeoisie (the social class that, according to Marxist theory, owns the means of producing wealth and exploits the working class). They have maintained their hold by corroborating with the state machinery which because of its corruption acts as a custodian of their rights.

As a means to their end, they have eroded the education system in the country. This has been achieved on the one hand by limiting the reach of the educational systems to only the urban developed areas. On the other hand the educational infrastructure has been starved of funds. This has resulted in an education system which churns out individuals who though being educated are highly unemployable. Out of this pool of educated few, the best talent is hoarded away by the neo-colonist to their home countries where they become critical ingredients of the economy, a phenomenon termed as "Brain Drain".

From the social perspective Pakistan's society is deeply divided into classes. These classes are formed based on income, creed and power. The later being present due to the over developed bureaucracy and military left behind by the British Raj. It is the element of Power which drives the masses toward careers in the public sector or the military.

In light of this crippled economic situation and depleted education system, a "Career" has become something of a chance than a choice.

Like its next door neighbor India, the social makeup of Pakistan has a great influence on the choice of career (Budhwar, 2003). Pakistan's society also functions around a core nucleuse that is the family, thus it has a collectivistic culture. So a choice of career in most cases is a reflection of ones family background or the social network one is a part of rather than the individual aspirations.

With limited employment opportunities people are more inclined towards job security, which takes the precedence when it come to making choices about careers. Taking the benefit of these conditions, organizations often exploit the

employees and thus are nowhere interested in offering any sort of career development opportunities to their human resource.

Another social factor affecting the choice of careers in Pakistan is the religion. Pakistan is a predominantly Muslim country and Islam is the main religion. Islam puts restrictions on many kinds of careers for example jobs in financial institution which are involved in the business of borrowing and lending on interest.

Social restrictions intensify even more for the female gender. These include both religious and social restrictions. There are a set number of professions which are accepted by the society as feminine. These include teaching, Medicare and desk jobs.

Though above factors still have a strong impact on the career choices in Pakistan, there is a steady change that is creeping into the Pakistani society. The most important of which is the fore coming of private educational institutions to fill the void in the educational sector. In addition to this the emergence of information technology as an industry is also helping in increasing the demand for skilled manpower. The privatization plan of the current government especially in the telecom sector is attracting a lot of foreign investment into the country which has fueled the war for talent to run these new setups.

It is in this new context that the study of careers has gained importance in order to facilitate both the organizations and the individual employees to make the right decisions with regards to the career and thus push Pakistani economy forward.

Research Questions;

The primary research of this paper focuses on the career choices of employees in a transitional economy with a collectivistic culture, in this case Pakistan. The broad aim of this research is to explore how the choice of career is made and to assess the role of the factors that interplay in this selection. In particular, the study investigated how the emergence of the new industries (telecom and information technology) and role of increased educational opportunities have affected these choices of careers.

The current study addresses two major questions:

RQ1: What affects the choice of a career in Pakistan?

RQ2: What major turning points are faced by careerists in Pakistan?

Methodology;

A qualitative research design was taken using focus groups as an instrument. A total of 14 participants took part in the focus groups, which comprised of 8

males (mostly middle managers from Private sector in Islamabad) and 6 females (middle managers and from academia). In order to facilitate the female participant's free expression, two separate sessions were conducted one for male and another for females. Also as requested by some of the female participants and keeping in line with the social norms in Pakistan, video recoding was not used in the female focus group whereas it was in the male focus group.

The data from the audio and video records of the focus groups were then transcribed and copies of the transcript were sent to individual participant for verification. The transcripts were then given for review to different individuals in order to verify that there was no substantial change in the meaning of the text so individual biases of the researcher do not occur.

In order to maintain the confidentiality of the participants, which was agreed between the researcher and the participants prior to the focus groups only their designation and industry types will be mentioned.

This followed by the use of Computer Assisted Qualitative Data Analysis (CAQDAS) software to derive inferences from the transcripts.

Findings: career choice

Factors that influenced the choice of a career;

The transcripts from the focus group revealed the role of different factors that affected the selection of careers (table 1)

Factor	Influence
Family	Reflecting the collectivistic culture prevailing in Pakistan, family dominated the list of factors that influenced the career decision.
Lack of Career Counseling	Most of the participants also counted the lack of career Counseling in the educational institutions as a reason for making a wrong choice of career.
Situational Trends	Most career choices were made on the bases of the current prevailing trend in the market, for example during the IT boom almost every one chose a career in IT regardless of the individual aptitudes.

First, concerning the role family plays in one's career choice there was unanimity among the participants that their family in general or the parents in particular played the leading role. For some this role was inspirational, they got inspired by one of the parents or another prominent member of the family:

It was in my mind that I will go to the field of electrical engineering and the influential part for my career was my father (Male, GM Marketing, Telecom Company)

For others the family is the deciding factor in the decision of career. This role of the family starts from the selection of the field of education to the selection of the educational institutions:

I belong to a family of eight siblings and our father had decided for each one of us our professions from the very start (Female, Lecturer-1, Public University)

Another interesting feature that came to light from the discussion is that there is a strong perceived relationship between the educational institutions and job security. Due to the limited number of reputed institutions in Pakistan which guarantee such employability, there is a high level of competition to gain admission into these institutions. For students who fail to reach these institutions the parents abandon the ownership of their career and they are let at the mercy of their (the children's) own choice.

When I did not become a doctor like my father wanted me to, he just told me to do whatever I wanted (Female, Lecturer-1, Public University).

Some participants talked of the responsibility of being a part of family. These people argued that though the family did not choose the careers for them but at times, for example if the family is not doing financially well, your career takes second seat to the responsibilities towards the family:

I did my MBA in marketing I looked up the newspaper and sent five CV's to marketing job and didn't get job, down the road after the third week I'll start sending my CV to every ad which is up in the news paper. Now there are certain factors that may be my family pressure my social status. If I'm from a good family might be I don't do this then what happens you enter an industry not of your choice. For example I started my career with a bank which I did not want (Male, General Manager, BPO).

For the females marriage also plays a major impact on their careers. Being a male dominated society the female have to do all the compromises on the careers when it comes to dual career families.

After my marriage I have had to come to Islamabad from Lahore with my husband. (Female, Lecturer-2, Public university)

The second factor discussed was the lack of career counseling in the educational institution and even the organizations. Unlike the developed countries the education system has no focus on employability. There are no career counselors or job placement centers at the university level, barring few. One reason for this is that there is no linkage between the corporate world and the educational setups.

*I did a training session in Islamic university about career planning there were a lot of students who told me that they were not able to find a job. There is no career planning in Pakistani universities.
(Male, HR Manager, Telecom Industry)*

The participants then came to a conclusion that it was due to this lack of career counseling that careerist initially joined some organization and after spending 3 to 5 years in the field and having gained some exposure there is the time they may find their real choice. This is a time when they do a self analysis and start managing their careers.

After having changed four jobs in a year I realized that I wanted to teach. (Female, Lecturer-2, Public university)

I started my career with a Telecom Company. I worked there for four years. When I completed my master's my teachers and people who guided me, told me you can enter an organization but to stay there and to grow you have to perform and it depends on your skills and your ability. For 5 years I did not look at my salary and my designation facilities and only about 6 months ago I realized that I have passed that stage, and now it's better to think about it. (Male, Marketing Specialist, Mobile phone operator)

With regards to the situational factors and their roll in shaping one's career the participant divulged that in Pakistan the careerist confer to the "follow the lead sheep" metaphor. For example during the current Telecom boom every one is gearing himself towards a career in telecom. Students are enrolling for higher education in the telecom subjects not even realizing that four years down the road the telecom sector might not have the capacity to take them.

In our university we have 42 students taking up finance as majors in their MBA, and 8 and 4 respectively in HR and marketing. And when I ask them what they based their decisions on most replied that they saw a majority of their friends going there (Male, Lecturer, Public University)

Proactive or Reactive Approach to Career Management:

After the first round, the second round of questioning focused on mid-career choices. Participants were asked to elaborate on the career management initiatives they undertook after being on a job for a while. Some of the interesting revelations from that discussion which pertained to important issues discussed in the literature review are highlighted as follows:

Career plateauing;

Some of the participants referred to the phenomenon of career plateauing as a cause for them to change their employers and look for other jobs:

I started my career with a Telecom Company as a manger admin and worked there for 8 years. At one point I thought career development is no more here. Salary was not the issue, I decided to change. (Male, CIO, BPO)

Most participants blamed the lapse on part of their organization for providing them with opportunities for growth as reason for leaving their jobs.

You spend enough time to one place that you know what things are about. If you are in an organization where you can see a career growth for yourself then stay there. For me I could not see the future and most people shift because they can't see a future and when you tell them (your employer) that you want to leave, what do they do? Do they guide you? Or do they say thank you very much and part with you. This also is one of the crucial turning points in your career planning. (Male, Marketing Specialist, Mobile phone operator)

Organizational Career Development programs;

Participants also agreed that organization with career development programs are employers of choice and they have better retention rates because they are adding to your employability.

Organization who do career planning, who give you orientation session, who tell you what to do and guide you are very few. Most company you come across are the ones that you join and on the same day they give you your seat next thing you know your email account or box file come to your desk, start work that's it. You have to then learn what to do is how to manage this, how do I manage that. Very few companies have an excellent HR system. For example with my current employer if I say to my manager I want to go to Dubai on training he'll say ok if it suits them and suits me.

If I'm in a smaller company they'll say ok go back to your seat, simple as that. (Male, IT Manager, Tobacco Company)

Ownership of Career Planning;

Most of the participants also agreed that the ownership of career planning rest with the employees themselves. The organization part is to facilitate the process by giving them opportunities to grow. It is the careerist who has to take the initiative and take maximum advantage of the opportunities offered to them.

The first sentence I heard when I joined my current employer was that "Your career is your own responsibility". And I asked myself why? Later I realized that what it means that they are giving me the facilities because the organization wants its employees to grow. They can not hire new people every day and train them to put them on the job. They want their people to grow, it is up to the employees to adjust to their (the organizations) structure and culture. (Male, IT Manager, Tobacco Company)

Careerist Orientation;

When the participants were asked to weigh the importance of organizational commitment versus one's commitment to career, they agreed on one point that having a careerist orientation is good but one should not have a CV that shows that this person is low on organizational commitment, as that plays a major role in job selection.

You should stay with a company for at least 3 years for good experience. If it's a good organization if its no, yes you can change. Changing too much will create a really bad impression on people, they think of you having an inconsistent temperament. You won't be considered for future growth and you will get stuck somewhere. (Male, Marketing Specialist, Mobile phone operator)

Conclusion

The current study showed that career management plays an important role in the well being of a careerist. People who have taken a proactive approach to managing their careers from the start progress much faster in their careers than those who have not. In a collectivistic country like Pakistan where the opportunities for employment are slim, there is greater need for proper management of careers so one can choose the right career for which he is suited.

With regard to the first research question the respondents of the focus groups

were unanimous in their opinion that the choice of career is not solely based on the aspirations of the careerist but there are other factors which influence this decision.

With regards to the second research question the response was mix, some saying that they adopted a proactive approach while others favored the reactive approach.

Recommendations

Choosing of the right career starts from home, the family has to be sensitive to the individuality of each of its member and should support the career choices other than make for themselves.

A change needs to be brought into the education system to make it inline with the current requirement of employability. This can be achieved by working out the syllabus of the professional study programs with the relevant industries. This will ensure that the higher education institutes are imparting the right kind of information which is inline with the requirements of the selected industry.

Career Counseling measures have to be taken at least at the higher education level, if not at the grass root or elementary level. Students should be provided with Counseling which will help them choose the right jobs for themselves based on their desires and aptitudes.

Organization can also help by developing proper career management systems. Such organizations will instantly become employers of choice and will attract the best of talent. They will also have a high retention rate and a more motivated workforce.

Limitations and future research prospects

The findings of the current research can not be generalized across the entire working class of Pakistan. The participants were from a limited number of industries.

Any future research should be carried on a larger sample which should include participants from all industries. A richer demographic sample will also increase the validity of the research.

Further areas which can be researched could be;

- The impact of organizational career development programs on the careerist orientation.
- Major causes of Turnover in a collectivistic economy such as Pakistan.
- The existence of psychological or transactional contracts in Pakistan.

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Customer Complaints & Service Improvement

A study of public utilities in Pakistan

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Abstract

The purpose of this research is to find out whether the customer complaints contribute towards service improvement in public utility sector of Pakistan or not. Data was collected through a questionnaire from 152 customers of related area. Results show that customer complaints provide opportunities to solve problems, fulfill deficiencies and remove faults occurred in the public utility sector and play a vital role for service improvement. Strategies discussing improvement in service through complaints are also mentioned.

Key words: *Customer complaints, Service improvement, Public utility sector, Pakistan*

Introduction

Successful businesses work hard to keep their customers satisfied, however there comes a stage when they face complaints from customers. These complaints are a source of service improvement e.g. by utilizing the data obtained by customer complaints the service of a business can be improved (Uusitalo, Hakala & Kautonen, 2008). Through effective complaint management a company can also earn financial benefits. Johnston (2001) links the effective complaint management process with improved financial performance. Previous researches conducted on customer complaints and service improvement in different organizational environments of different countries, determine the significance of customer complaints.

Organizations that don't bother about satisfying their customers usually get more customer complaints, a negative word-of-mouth and a loss of business e.g. dissatisfied customers cause negative word-of-mouth communication resulting in high financial risk for business (Fisher, Garrett, Arnold & Ferris, 1991). So they try their best to solve the problems of their customers on priority. Further services get meliorated through data received from complaints and customer is satisfied which causes increased profits e.g. the company can earn financial benefits by satisfying the customers, by improving their service through information obtained from the complaints (Johnston, 2001). Another benefit of dealing with complaints is that organizations can see weaknesses in their

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process or products that can be rectified. This will prevent possible future complaints or problems down the line. Research proves, through proper complaint handling the problem area is detected and thus organizations get the advantage of better service and resulting reduction in complaints (Schibrowsky and Lapidus, 1994). Customer complaints are significant source of service improvement. It helps to satisfy the customer, so organization will get repeated business and referrals. In fact, effectively dealing with a customer complaint can lead to a more loyal customer. As Phau & Baird (2008) found that proper complaint handling process traces out the problem which helps organization to reduce future complaints by improving its business. Every complainer expects positive response from organization e.g. any complainers who spend time to write a complaint always expect timely response (Resnik & Harmon, 1983).

The complaint rate is comparatively high in public sector of Pakistan because in this environment the public dealing organizations are associated with inefficiency, inactivity and corruption. The customer complaints arise due to unfair billing, unannounced load shedding, poor services, delayed actions, high rates, poor infrastructure etc. Brennan & Douglas (2002) found that dissatisfaction with services in government sector gives birth to customer complaints. Complaints satisfaction is important for any kind of organization for improvement in operations and services. The good managers want to hear about every complaint their customers have and satisfying them is their first intension e.g. the objective of managers is to satisfy the customer (Resnik & Harmon, 1983).

In Pakistan “WAPDA” and “SUI NORTHERN GAS” are responsible to provide electricity and gas to general public respectively. Both the institutions are government owned and both have monopoly in their respective fields. Their clients are considered consumers and not the customers. Their revenue generation depends on government policies and not on developing more customers. Customer satisfaction has no effect on their income or benefits given to work force in return. In general public a serious dissatisfaction prevails about standard of their services and response to complaints to the consumers. PTCL is the organization which provides telecommunication services to public; this institution has been recently partially privatized. General public has noted a positive change in quality of services and response to public complaints.

All the three organizations mentioned above provide the commodities which are basic necessities of public. To find the actual performance of these organizations and their response to user’s complaints, it would be prudent that an actual survey should be carried out and opinion from maximum people should be

sought. Most of the previous research work is concerned with developed countries, but the research in this area in developing countries like Pakistan is rare. Since Pakistan has different and unique political practices which eventually govern the government policies so the results extracted from other part of the world may not be applicable here as principles. This study is an effort to highlight the relationship between the customer complaints and service improvement in public utility sector (WAPDA, Sui-Northern Gas and PTCL) of Pakistan. The research may give interesting results and some new ideas/findings to other people.

Literature Review

There are a number of factors determining service improvement in an organization but our focus in this study is on customer complaints.

Customer Complaints:

Customer complaint arises due to dissatisfaction and its intensity is related with degree of dissatisfaction (Devereux & Weisbrod, 2006). Customer retention can be achieved by complaint satisfaction. To attain customer retention the first basic requirement is complaint satisfaction (Stauss, 2002). The complainants can be satisfied by prompt attentive service along with courteous explanation and redress e.g. promptness, attentiveness and redress are important determinants of customer satisfaction (Yavas, Karatepe, Babakus and Avci, 2004). The organizations which emphasize on satisfaction do not consider their investment useless in training for improvement of complaint handling. The investment in training which manipulates complaint handling system positively is not wasted because satisfaction with complaint handling is related with trust and commitment (Nel, Athron, Pitt & Ewing, 2000; Tax, Brown & Chandrashekar, 1998). Customer complaints decrease the employee commitment with customer service relationship. Customer complaints have a moderating effect on intra-organizational relationship and their affiliation with customer service commitment (Bell, Menguc & Stefani, 2004). However the positive behavior of employees can remove this effect. The negative impact of customer complaints on customer service commitment can be reduced by positive impression of service personnel (Bell & Luddington, 2006). A successful complaint resolution results in customer satisfaction and he or she becomes loyal towards the company. The complaint resolution both successful and unsuccessful generate positive and negative image in customer's mind respectively and satisfaction with complaint resolution leads towards customer's loyalty (Andreassen, 1999). On the other hand poor customer complaint handling leads towards destruction of customer loyalty. Once the customer is affected by negative complaint handling, he or she will not tend to

buy from same firm the next time (Schoefer & Ennew, 2004). A company that offers compensation to complainant receives positive attitude of customers and repurchase. Positive attitude towards company and future purchases can be enhanced by providing compensation (Colon & Murray, 1996). Satisfaction with complaint handling determines the repeat buy decision of a customer as Susskind (2005) found that if a complaint is handled and customer is satisfied, he or she will return. Firms can obtain customer satisfaction, word of mouth and repurchase intention by showing their concern with consumer complaints. If organizations are attentive to customer complaints it will influence satisfaction, word of mouth, likelihood and intention to repurchase (Davidow, 2000). The organization's that are committed with their customers pay great attention towards complaints. The organization's action of capturing customer complaints shows their commitment with customers (Zairi, 2000). Customer complaints are source of information bank that results into product differentiation and service improvement. Gursoy, Ekiz & Chi (2007) argued that product modification, preventive measures and service enhancements take place as a result of information gathered from customer complaints. Complaints provide opportunities which strengthen organization performance. "We can, with training, policies, and a customer-driven culture, turn those disgruntled library users into happy, loyal customers by adopting the principle that complaints are opportunities to strengthen our organizations" (Jackson, 2002). Some organizations do not take customer complaints in account in spite of these are critical. Although customer complaints are vital yet many organizations do not pay sufficient attention to manage those (Homburg & Furst, 2007). Employees in an organization never appreciate customer complaints rather they become disquiet as Tantawy and Losekoot (2001) conducted research on complaint handling in a hotel and found that the guest contact personnel do not encourage complaints from guests and those complaints create anxiousness among them. Failure to satisfy customers in a competitive industry gives birth to business loss. In a competitive environment there are chances of exiting dissatisfied customer which is a revenue loss (Fornell & Wernerfelt, 1987). If there is an increase in tendency for exit; satisfaction and treatment quality of complaining behavior will act as barriers for exit (Solvang, 2008). In some areas there is a low usage of complaints to get maximum advantage. The achievement of higher standards through complaints is deficient (Hsieh, Thomas & Rotem, 2005). The response towards customer complaints is very low in monopolistic and having limited competition organizations. The organizations which are enjoying monopoly, in limited competition or having large market share pay less attention to the customer problems (Estelami, 2000). However the public sector

organizations have a potential to service improvement through customer complaints e.g. “Transparent and accessible citizen-based accountability mechanism in public sector organizations have the potential to contribute to organizational transformation and sustained improvements in service delivery performance” (Caseley, 2006).

After reviewing literature on customer complaints we are not clear about the direction of relationship between customer complaints and service improvement so we are developing a non directional hypothesis.

H: There is a relationship between customer complaints and service improvement in public utility sector (WAPDA, SUI-NORTHERN GAS, and PTCL) of Pakistan.

Service Improvement:

Continuous effort for service improvement is needed in our dynamic world where an aggressive competition prevails in the market. To tackle the dynamic competitive environment in the market, quick response and continuous modification in service actions should be taken (Perng, Hsia & Lu, 2007). It is essential for public sector to improve customer service if it wants to attain excellent performance and quality service delivery. To achieve high performance and to provide quality service to the customers, the public service sector should give priority to improve customer service (Kadir, Abdullah & Agus, 2000). To acquire excellent position in the market firms seek strengths and areas in order to bring improvement in service. The organization seeks strengths and areas for improvement to become dominant (McFarlane, 2001). For service improvement appropriate strategies are required, which can be formulated by exploring customer needs and expectations. In order to provide improved service appropriate strategies can be developed by exploring needs and expectations of customers (Natarajan, Balaram & Ramana, 1999). It is possible to bring betterment in the system and process of public sector as Sullivan & Gillanders (2005) conducted research in England and suggested that local public service agreements bring improvements in the system and process of local government. Managerial commitment is necessary for improvement in service. A project based on citizens and employee’s opinions require managerial commitment to bring forth improvement (Tari, 2006). Another study suggested that dealing with customer complaints is not only the way to satisfy customers but improvement in basic functions is also essential. Companies should concentrate to bring improvement in primary functions instead of dealing passively with

complaints (Huang, Ho & Lee, 2003). In public sector for service improvement, support by colleagues, holds intense significance. Peer support provided by improvement boards is a tool to enable leadership to enhance functioning of public organizations (Yapp & Skelcher, 2007).

Theoretical Frame work

Figure: 1

Relationship between customer complaints and service improvement

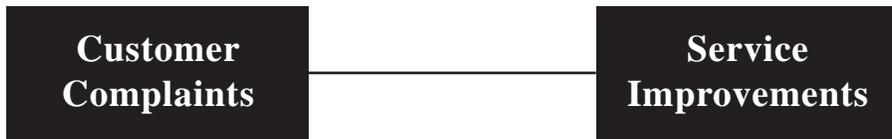


Diagram based on hypothesis indicates that service improvement is dependent variable and it has a direct relationship with customer complaints.

Research Design

The purpose of our research is hypothesis testing and hypothesis is developed through review of other research work on same topic. We are testing relationship between customer complaints and service improvement. The investigation type of our study is correlated as we are finding relationship between dependent variable service improvement and contributing independent variable customer complaints. The extent of researcher interference is minimal and study setting is natural or non-contrived.

Research Methodology

This section discusses the methodology adopted for the research. It includes discussion about questionnaire and participants.

a) Questionnaire

Questionnaire was used as instrument for data collection. It contains three sections having 20 items. A five point Likert Scale was used to measure the variables. Total number of 250 questionnaires were distributed and out of which 152 were received back making response rate as 60.8%.

b) Population and Sample

Population for present study includes consumers using the services of public utility sector. Convenient Sampling technique was used and questionnaires were distributed among consumers residing in Rawalpindi and Islamabad.

Table-1: Characteristics of Sample

Attribute		Frequency	Percentage
Gender	Male	123	80.92%
	Female	29	19.08%
Marital Status	Married	49	32.24%
	Unmarried	103	67.76%
Qualification	Matriculate	27	17.76%
	Intermediate	25	16.45%
	Bachelors	49	32.24%
	Masters	46	30.26%
	MS/PHD	5	3.29%
Age	18-25	91	59.87%
	25-35	40	26.32%
	35-45	14	9.21%
	Greater than 45	7	4.61%
Language	Urdu	71	46.71%
	Punjabi	63	41.45%
	Pushto	10	6.58%
	Sindhi	3	1.97%
	Balochi	0	0.00%
	Others	5	3.29%

Statistical analysis

Data was analyzed through statistical programming for social science (SPSS) software by using correlations and regression analysis. Correlation analysis shows dependency of service improvement on customer complaints. Regression analysis is used to find out the strength of dependency.

Results

Table-2: Correlation Analysis

	Service Improvement	Customer Complaints
Service Improvement	1	
Customer Complaints	.762**	1

n = 152, ** Correlation is significant at 0.01 level

Correlation table shows that service improvement is correlated with customer complaints. The correlation is positive, strong and significant (.762**).

Table-3: Regression Analysis

	Beta	t	Sigma
Customer Complaints	0.762	14.391	0.000

N = 152 (Dependant Variable = Service Improvement)

R Square = .580, Adjusted R Square = 0.577

F = 207.95, Sig =0.000

The regression analysis indicates value of 0.58 for R Square which shows that customer complaints have a significant impact on service improvement. It also shows the fitness of the model. The value of F = 207 which is significant at 0.000. The β value of customer complaints (0.762) is significant at 0.000 which shows customer complaint has a strong and positive affect on service improvement in public utility sector of Pakistan.

Discussion

To examine the relationship between customer complaints and service improvement in public utility sector (WAPDA, SUI-NORTHERN GAS, and PTCL) in Pakistan was the purpose of current study. Results show customer complaints are determinant of service improvement. The results are against expectations and perception that prevails among general public about public utility sector in Pakistan. This aspect has made our findings interesting. These findings are also unique because the organizations of our study are Government owned (except PTCL which is partially privatized) and all of them have monopoly in their fields. The response towards customer complaints is very low in monopolistic and having limited competition organizations e.g. the organizations which are enjoying monopoly, in limited competition or having large market share pay less attention to the customer problems (Estelami, 2000) so positive results have made our study significant.

PTCL has recently been partially privatized. A considerable improvement in service has been noticed by its clients. The service of PTCL has been appreciated by most of the respondents. The system of contacting the organization for any complaint is now very easy and the concerned staff responds very quickly in a very friendly manner to resolve the problem in minimum possible time. PTCL has taken numerous innovative steps to improve the quality and standard of its services and introduced a variety of new services. Major factors behind the service improvement in this organization are new resources, advanced technology and more facilities. PTCL has developed separate “Customers care departments” which receive and handle complaints of clients besides providing

many other facilities under one roof. The organization has also launched Customer Management System (CMS) having exceptionally skilled and experienced staff. PTCL has installed new digital exchanges to replace old manually operated exchanges hence whole the process has been automated. A net of “one stop shops” has been erected throughout the country to ensure healthier interactivity between customers and the organization. Previously the maintenance of land lines and ensuring its availability in all area was a major cause of increasing complaints, whereas now provision of wireless system has completely changed the situation. PTCL has launched so many services through wireless system that it can be compared with any service provider of the modern world. PTCL has also simplified the procedures for acquiring new services so most of the latest facilities are only one call away now.

About WAPDA and Sui Northern Gas the respondents indicated that the problems are resolved very late. However in WAPDA there is a considerable improvement regarding services to customer complaints through adopting a commercial approach. The problem of excess billing to customers has been effectively controlled as the concerned staff involved in excess billing has been warned of strict punishments. Round-the-clock service along with mobile customer service is being provided through centers established in various circles therefore prompt action is initiated on receiving any complaint from the customers. There was a time when getting a new electric connection was considered a life time job due to lot of difficult and time consuming formalities. Now domestic connections are being provided within 24 hours whereas time for other connections has also been considerably reduced. Also at each sub-division level customer service centers and one-window operations facility have been provided.

Sui-Northern Gas pipelines Limited (SNGPL) has ensured the provision of new connections to customers purely on turn and merit basis through establishing an IT department comprising a computerized system. A policy of transparency has been introduced where each applicant of new connection can access the data and determine his own position in waiting list. This system has restored the confidence of customers in the system and played a vital role in building a corruption free image of the department. The record of customer’s complaints is also being computerized in order to monitor prompt attending and ensure timely rectification action.

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