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Threshold Effects in the Relationship between Interest Rate and Financial Inclusion in Nigeria

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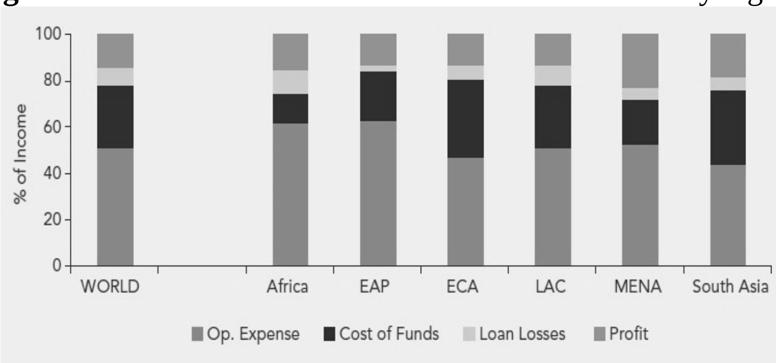
Abstract
This study uses a non-linear threshold model to shed light on the impact of interest rates on financial inclusion in Nigeria for the period 1981 to 2014. The findings suggest that the threshold level of interest rates in Nigeria is estimated at 16.9 percent. In other words, interest rate hampers financial inclusion if it exceeds 16.9%. Below this threshold, however, the impact of interest rate remains insignificant. Thus, the results of this study support financial inclusion-dampening effects of interest rates in Nigeria. The logical conclusion is that Nigeria, and other developing countries as well, with lending interest rates above 16.9 percent should aim to attain interest rate levels that do not deter financial inclusion by adopting polices that drive down interest rates.
Keywords: Interest Rate Thresholds; Interest Rate; Financial Inclusion; Threshold Model.

Introduction

Most economists would agree that interest rate can have distortional effects on financial inclusion if it gets too high. Yet how high is too high? There may be a trade-off between lowering interest rates and attaining sustainable and higher financial inclusion? At operational level, the interest rate-financial inclusion nexus may depend on the level of interest because, at very low levels of interest rates, financial service providers may decline to provide credit, but higher levels of interest, as well, is likely to be inimical to financial inclusion. In this study, this relationship is translated into a threshold model, where when interest rates exceed the threshold, higher interest rates become immediately very harmful to financial inclusion.

With the wide-ranging spectrum of policies for financial sector liberalization, it is noteworthy that interest rate reform has occupied an important spot in the attainment of efficiency in the financial sector and in encouraging financial inclusion in economies all over the world (Evans, 2016; Evans and Saibu, 2017). However, interest rates have not been favorable, especially with regards to the poor. Rosenberg, Gonzalezand Narain (2009) evaluated whether the poor were being exploited by prohibitively high interest rates. They found some evidence of microfinance institutions spawning very tall profits from their clients. According to the study, the most profitable 10% of microfinance institutions globally were making returns in excess of 35% on equity (Figure no. 1).

Fig. no. 1. Cost structures of Microfinance Institutions by region



Source: Rosenberg et al (2009)

There are therefore several motivations for this study. This study was prompted by the recent increase in the official interest rate to 13% in Nigeria. Increasing the discount rate has increased lending interest rates and curtailed the lending capacity of the banks, with consequent deleterious impacts on financial inclusion. This act conflicts with the drive for financial inclusion in Nigeria. It is therefore necessary to ask whether the interest rate level is appropriate and when, if possible, it can be detrimental.

Moreover, an exhaustive review of the interest rate literature on one hand and the financial inclusion on the other has shown that the issue of the estimation of the interest rate threshold for financial inclusion has received surprisingly little or no attention, conceptually, empirically and methodologically, except a little mention in Miller's (2013) *Interest Rate Caps and Their Impact on Financial Inclusion*. This study therefore fills the gap in the literature by providing evidence of a threshold level of interest rate above which the impact of interest rate is negative and statistically significant, using Bai and Perron's (2003) threshold estimation approach to estimate the number of threshold points, their values and their coefficients.

Literature review

Financial inclusion is generally defined in the literature to mean access of the working age population to financial services provided by formal financial institutions: credit, savings, payments, and insurance (Demirguc-Kunt et al., 2014; Global Partnership for Financial Inclusion, 2016). Financial inclusion also means that "individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way" (The World Bank, 2017, p.1). Financial inclusion can also denote the provision of a broad spectrum of financial services (e.g. savings, loans, deposits, insurance) to the poor who usually do not have access to such services (Dev, 2006; Sarma, 2008; Demirgüç-Kunt and Klapper, 2013). Access to financial services (including other non-credit products) at household level enables rural households to meet consumption and social demands (i.e. food, health care, school fees, and funeral expenses), without having to divert financing from investment opportunities (Evans, 2015).

As there is a large and increasing number of studies dealing with financial inclusion (Dev, 2006; Thorat, 2006; Sarma, 2008; Demirgüç-Kunt and Klapper, 2013; Massara and Mialou, 2014; Adeola and Evans, 2017b; Evans and Adeoye, 2016; Evans and Saibu, 2017; Evans and Lawanson 2017; Fan and Zhang, 2017; Russell, Bowman, Banks and de Silva, 2017; Souza and Devaraja, 2017), so also is a vast amount of literature (e.g. McKinnon, 1973; Shaw, 1973; Athukorala, 1998; Soyibo and Olayiwola, 2000; Favero and Giavazzi, 2005; Karlan and Zinman, 2006; Shrestha and Chowdhry, 2007; Rosenberg, Gonzalez and Narain, 2009; Awan, Munir, Hussain and Sher, 2010; Obawuyi and Demehin, 2012) coming from multiple domains dealing with interest rate.

The debate on the relationship between interest rate and finance, however, has remained a perennial and hotly debated issue which has amassed sizeable theoretical and empirical literature (Loizos, 2017). According to the McKinnon-Shaw (1973) hypothesis, "a low or negative real rate of interest discourages savings and hence reduces the availability of loanable funds, inhibits investment, and ultimately lowers the rate of economic growth. On the contrary, an increase in the real interest rate may induce the savers to save more, which augments investment. This may lead to complementarities between the accumulation of financial assets and physical capital accumulation" (Awan et al., 2010, p. 79).

High interest rate on bank deposits encourages domestic savings and private investment (Athukorala, 1998). Deregulation of interest rates promotes savings, investment and efficient allocation of financial resources (Shrestha and Chowdhry, 2007). Awan et al. (2010) show that the real interest rate, financial liberalization and economic growth, in the long run, have positive impacts on domestic savings in Pakistan. Liberalization dummy is also significantly positive, signifying a need for better liberalization and deregulation of interest rates for higher mobilization of savings.

Only few existing studies assess interest rates with regards to the poor. Karlan and Zinman (2006), in a randomized survey in South Africa, examined the notion that the poor are non-sensitive to interest rates and found that, around the lender's standard rates, demand elasticities rose sharply, signifying that even a marginal rise in interest rates could lead to a substantial drop in credit demand. In response to Karlan and Zinman's (2006) findings, Miller (2013, p. 8) argued that "If the poor are indeed this responsive to changes in the interest rate, then it suggests that usurious lending practice would not be commercially sustainable and hence there is little need for government to cap interest rates".

Notwithstanding the wide-ranging spectrum of policies for financial sector liberalization, interest rates have not been favorable with regards to the poor. For example, Rosenberg et al (2009) showed that the poor were being exploited by prohibitively high interest rates, as microfinance institutions are spawning very high profits from their poor customers. The authors showed that the most profitable 10% of microfinance institutions were making returns in excess of 35% on equity.

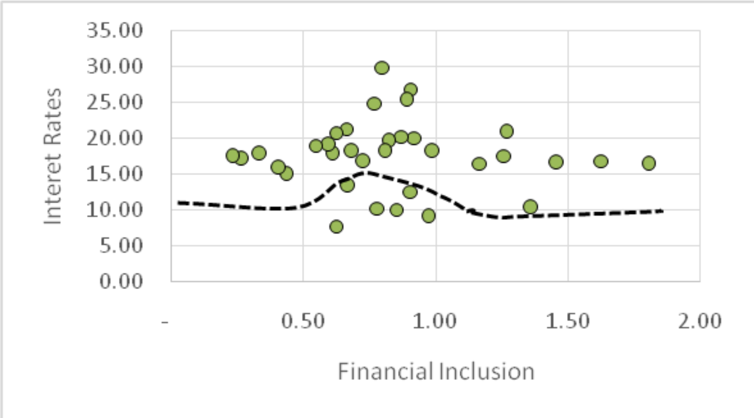
An exhaustive review of the literature has shown that the issue of the estimation of the interest rate threshold for financial inclusion has received surprisingly little or no attention, both in developed and developing countries. To the best knowledge of the author, no other study has examined the threshold effects of the relationship between interest rates and financial inclusion. This study therefore fills the gap in the literature by providing evidence of a threshold level of interest rate for financial inclusion, using Bai and Perron's (2003) threshold estimation approach to estimate the threshold points, their values and their coefficients.

Data and Methodology

The following empirical analysis employs annual data from 1981 to 2014 on Nigeria. While Real GDP per capita is obtained from the World Development Indicators, total commercial banks' loans and advances, gross domestic product (GDP), credit to the private sector, money supply and lending interest rate are collected from the Central Bank of Nigeria. Following the existing literature, financial inclusion is computed as outstanding loans from commercial banks (as % of GDP) (Mbutor and Uba, 2013; Adeola and Evans, 2017a; Evans, 2017). It is noteworthy that the current study used only outstanding loans of commercial banks (as % of GDP) as a measure of financial inclusion, in contrast with Mbutor and Uba (2013) and Adeola and Evans (2017a) which used other measures in addition. The reason is not far-fetched. While outstanding loans of commercial banks (as % of GDP) measures financial usage, the other measures used by those studies only measures financial access. It is well-known in the literature that what matters is financial usage, not just access.

A non-linear relationship between interest rates and financial inclusion appear to hold for the data on Nigeria as depicted in Figure 2. Interest rate has a significant negative impact on financial inclusion once it crosses the threshold level, while below the threshold level it is expected to have an insignificant impact.

Fig. no. 2. Non-linear Relationship between Interest Rates and Financial Inclusion



The threshold regression model is a form of non-linear regression containing piecewise linear specifications and regime switching which happens when a variable crosses unknown thresholds. Threshold models are able to produce remarkable nonlinearities and rich dynamics (e.g., Hansen, 2001; Bai and Perron, 2003; Perron, 2006).

Consider a standard multiple linear regression model with T observations and m potential thresholds (producing m+1 regimes).

For the observations in regime j = 0, 1, …, m we have the linear regression specification

$$y_t = X_t^{'}\beta + Z_t^{'}\delta_j + \varepsilon_t \qquad (1)$$

Where y is financial inclusion (FINC); X is a vector of covariates such as credit to the private sector (CREDIT), money supply (MONEY) and exchange rates (EXRATES); and Z is lending interest rates (INTEREST).

The regressors are in two groups. The X variables have parameters which do not vary while the Z variables are regime-specific.

Consider a threshold variable q_t and strictly increasing threshold values ($\gamma_1 < \gamma_2 < \ldots < \gamma_m$) in such a way that we have regime j only if $\gamma_j \leq q_t < \gamma_{j+1}$.$\gamma_0 = -\infty$ and $\gamma_{m+1} = \infty$

Thus, we are in regime j if the threshold variable is less than or equal to the j-th threshold value, but less than the (j+1)-th threshold.

For instance, in the single threshold, two regime model in the current study, we have:

$$y_t = X_t^{'}\beta + Z_t^{'}\delta_1 + \varepsilon_t \qquad \text{if } -\infty < q_t < \gamma_1$$
$$y_t = X_t^{'}\beta + Z_t^{'}\delta_2 + \varepsilon_t \qquad \text{if } \gamma_1 < q_t < \infty \qquad (2)$$

Then, employing an indicator function k(..) which takes the value 0 when the expression is false and 1 otherwise and equating $k_j(q_t, \gamma) = k(\gamma_j \leq q_t < \gamma_{j+1})$, the m+1 individual regime specifications can be combined into a single equation:

$$y_t = X_t^{'}\beta + \sum_{j=0}^{m} k_j(q_t, \gamma) + Z_t^{'}\delta_j + \varepsilon_t \qquad (3)$$

Non-linear least squares is the usual approach used to estimate the parameters of the model. By defining the objective function of the sum of squares as:

$$S(\delta, \beta, \gamma) = \sum_{t=1}^{T}\left(y_t - X_t^{'}\beta + \sum_{j=0}^{m} 1_j(q_t, \gamma).Z_t^{'}\delta_j \right)^2 \qquad (4)$$

We can obtain the threshold regression estimates by minimizing $S(\delta, \beta, \gamma)$ with respect to the parameters.

Empirical Results

Ascertaining the order of integration of the variables is indispensable in any econometric modeling. For that reason, we test for the order of integration of the variables, using the Kwiatkowski, Phillips, Schmidt and Shinz (KPSS, 1992). KPSS is more potent than common unit root tests such as Augmented Dickey Fuller and Phillips Perron tests which have the drawback of poor small-sample power often leading to wrong unit root conclusions. The KPSS test indicates that the variables FINC, INTEREST, MONEY, CREDIT and EXRATES are integrated of order one (Table no. 1).

Table no. 1. The KPSS Unit Root Test

	Without trend		With trend	
Variable	I(0)	I(1)	I(0)	I(1)
$FINC_t$	0.656	0.157*	0.167	0.123*
$INTEREST_t$	0.188	0.077*	0.149	0.062*
$CREDIT_t$	0.561	0.205*	0.187	0.202*
$MONEY_t$	0.597	0.129*	0.194	0.144**
$EXRATES_t$	0.628	0.131*	0.453	0.114*

Then we test for the presence of cointegrating relations among the variables. The Johansen (1991; 1995) cointegration test for the five series confirms that these variables are co-integrated, meaning a long-run relationship exists between them (Table no. 2).

Table no. 2. Johansen and Maximum Likelihood Test for Cointegration

Hypotheses	Trace Test	5 % Critical Value	Prob. #	Hypotheses	Max. Eigen Statistic	5 % Critical Value	Prob. #
R = 0	43.402	33.876	0.002	89.324	69.818	0.001	89.324
R ≤ 1	24.971	27.584	0.104	45.922	47.856	0.075	45.922
R ≤ 2	14.298	21.131	0.341	20.950	29.797	0.360	20.950
R ≤ 3	6.516	14.264	0.547	6.652	15.494	0.618	6.6521
R ≤ 4	0.135	3.841	0.713	0.135	3.841	0.713	0.135

Notes: ** and ** denotes rejection of the hypothesis at the 0.01 and 0.05 level.*
 # denotes MacKinnon-Haug-Michelis (1999) p-values

The estimated interest rate threshold is 16.9 as shown in the lower part of Table 1. This threshold is significant at the 0.05 level, based on Bai-Perron (2003) critical values. In other words, the interest rate threshold for financial inclusion in Nigeria is 16.9%.

Table no. 3. Threshold Specification

Sequential F-statistic determined thresholds: 1			
Threshold Test	F-statistic	Scaled F-statistic	Critical Value**
0 vs. 1 *	5.984399	23.93760	16.19
1 vs. 2	3.105380	12.42152	18.11
* Significant at the 0.05 level.			
** Bai-Perron (Econometric Journal, 2003) critical values.			
Threshold values:			
	Sequential	Repartition	
1	16.9375	16.9375	

Notes: *Bai-Perron tests of L+1 vs. L sequentially determined thresholds, Threshold test options: Trimming 0.15, Max. Thresholds 5, Sig. level 0.05*

The upper part of Table no. 2 shows the impact of interest rate on financial inclusion. Interest rate has significant negative impact on financial inclusion. The interest rate coefficient is significant and plausibly signed. -2.27 indicates that interest rate is harmful for financial inclusion when interest rates get too high. In other words, high interest rates can deter faster financial inclusion. The middle part shows the regime-dependent coefficients of interest rates on financial inclusion: when interest rate is below or above the estimated threshold value.

Table no. 4. Interest Rate thresholds and financial inclusion

Dependent Variable: FINC				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Impact of interest rates				
INTEREST	-2.273943	0.707334	-3.214808	0.0036
Impact of Covariates				
INTEREST < 16.9375				
C	0.966185	0.073405	13.16247	0.0000
CREDIT	0.000329	0.000106	3.088065	0.0047
MONEY	-0.000152	0.000131	-1.162609	0.2555
EXRATES	-0.013887	0.004253	-3.265373	0.0031
INTEREST ≥ 16.9375				
C	0.986657	0.072978	13.51996	0.0000
CREDIT	0.000120	0.000153	0.782107	0.4412
MONEY	-0.000139	0.000155	-0.891905	0.3806
EXRATES	-0.002157	0.001476	-1.461391	0.1559
R-squared	0.768296			
Adjusted R-squared	0.705914			
F-statistic	12.31600			
Prob (F-statistic)	0.000001			
Durbin-Watson stat	1.842717			

Notes: *Threshold selection: Trimming 0.15, Sig. level 0.05, Threshold type: Bai-Perron tests of L+1 vs. L sequentially determined thresholds.*

Finally, to establish the stability of the model, CUSUM and CUSUMSQ plots are drawn. Figure no. 3 shows the plot of cumulative sum of recursive residuals, while figure no. 4 depicts the plot of cumulative sum of squares of recursive residuals. Both CUSUM and CUSUMSQ are within the critical bounds of 5 percent. Thus, it can be concluded that the model is structurally stable.

Fig.no. 3. CUSUM Test

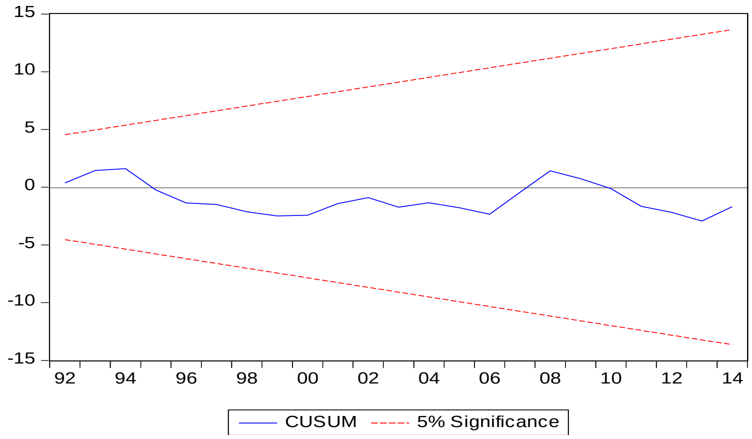
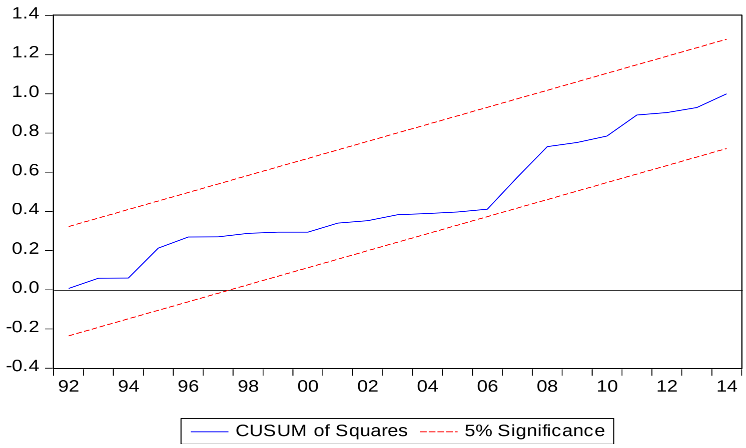


Fig.no. 4. CUSUM of Squares Test



Therefore, this study finds clear evidence suggesting a financial inclusion-dampening effect of high interest rates for Nigeria. Accordingly, there are no financial inclusion-enhancing effects of interest rates when interest rates get above its threshold value. This shows the nature and extent to which interest rate impacts prospects for financial inclusion in developing countries, most especially Nigeria.

Summary and Policy Implications

This study provides evidence on the non-linear impact of interest rates on financial inclusion. The findings show that developing countries such as Nigeria face high thresholds of interest rates and that high level of interest rate can have negative effects on the level of financial inclusion. The estimated interest rate threshold is 16.9. This threshold is significant at the 0.05 level, based on Bai-Perron (2003) critical values. In other words, the interest rate threshold for financial inclusion in Nigeria is 16.9%. This shows that interest rate is harmful for financial inclusion when interest rates get too high. In other words, high interest rates can deter faster financial inclusion. Thus, the results of this study support financial inclusion-dampening effects of interest rates in Nigeria. The logical conclusion is that Nigeria, and other developing countries as well, with lending interest rates above 16.9 percent should aim to attain interest rate levels that do not deter financial inclusion by adopting polices that drive down interest rates.

This study provides policymakers with a framework with which to launch interventions in credit markets. While capping interest rates may be advisable, such input based solutions distort the market. Hence the market should be left alone to determine the interest rate. The government could support certain key sectors through other alternatives (i.e. output based aid). In the short term, moral suasion can be an effective tool.

Nonetheless to actually drive down interest rates in the long term, governments should build support structures such as business and regulatory environment encouraging the supply of financial services at lower cost and thus push the supply curve of financial services to the right.

The government can as well publish and advertise the lending interest rates of competing banks in the country in order to intensify competition. Competition between financial institutions could compel them to compete on the cost of credit and thus bring down interest rates. Competition can force lenders to improve efficiency. The corollary of this is that governments need to license more financial institutions to encourage competition and bring down rates.

However, more players may not lead to greater competition due to the challenges of the financial sector in Nigeria. In fact, with the high capital requirements and fixed costs, small players may levy higher rates so as to remain profitable. The government needs to adapt and base policy on a comprehensive scrutiny of the market structure, promotion of competition and elimination of preventable barriers to entry (i.e. excessive red tape).

Government may as well help to drive down interest rates through promotion of transparency and financial consumer protection. Transparency in lending practices will ensure that consumers are shielded from hidden costs.

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Perceptions regarding the Hard and Soft Competencies necessary to access the Romanian Labor Market

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Abstract

The main aim of our research is to analyse the perceptions of the future economists (students and MBA students) in comparison with those of the employers, regarding the hard and soft competenices required in order to access the labor market. To do that, we've elaborated an empirical study based on a transversal descriptive research, the chosen method being a statistical survey. We concluded that the employers and students who own a job underlined that soft competencies are more important than hard competencies. The students without jobs give priorities to hard competencies. To achieve work performances, students (future economists) have to possess strong soft skills, able to complete the knowledge acquired during the cycles of studies. To generate sustainable organizational success, the future professionals must combine harmoniously the hard skills with the soft one.

Keywords: hard skills; soft skills; employers; Pearson's chi-squared test; students/MBA students.

Introduction

Business globalization, internalization of business relationships, development of capital market, generated in the last yearss changes in the labour market. Because of that, a lot of questions are arised frecvently, regarding the employer's requirements when selecting new staff. Such requirements are: professional and transversal competencies, the applicant's professional experience, the continuous training courses run by the candidate, the results obtained during graduation and at graduation, the performance/carriage/attitude of the applicant during the interview, the previous experience, references from third parties, internships in the country and abroad, workshops, volunteering, work and travel programs during the university studies, the reputation of the institutions in which the candidate was trained, recognized achievements in the employer's area of interest (like awards), and so on. An important role is played - in the process of selecting young graduates with high economic education - by the profesional and transversal competencies.

The concept "competencies" was defined first in the 1960s, as a result of the contribution of the American psychologist McClelland. He defined this notion as a summ of knowledge, skills and aptitudes, which contributes to the capacity of a person to effectively perform the duties and responsibilities of the occupied job, in other words, to be competent (McClelland, 1973).

The competence determines the performance of an employee in order to effectively perform the tasks, and influences its effectiveness at work.

The International Education Standards for Professional Accountants (IES3) prescribes the mix of professional skills that aspiring accountants should have regarding the education and practical experience level. Such skills are: technical and functional skills, intellectual skills, interpersonal and communication skills, organizational and management skills.

Order nr. 4476/2016 of the Ministry of National Education and Scientific Research in Romania defines skills as being a proven ability to select, combine and use appropriate knowledge and other acquisitions like values and attitudes, to solve successfully a certain category of work or learning situations, as well as for professional or personal development, in terms of effectiveness and efficiency. This definition stated that the structural elements of the competencies are: the profesional roles, the perfomance standards, the context, the knowledge, the skills and personality characteristics, the attitude. These structural elements are aimed not only in building in-service training programs, but also in their implementation and evaluation.

From the point of view of the typology of the specific competencies, these include professional and transversal skills. Professional competencies represent a unitary and dynamic set of knowledge and skills circumscribed to a profession or a bundle of related professions. The knowledge is expressed by the following two descriptors of a bachelor degree student: a) understanding and use of a specific language; b) explaining and interpreting the knowledge.

Competencies or skills to use knowledge are expressed, in their turn, through the following three descriptors: a) application, transfer and problem solving; b) critical and constructive reflection; c) creativity and innovation (Năstase, 2012, pp. 18).

Each qualification is correlated with the graduated cycle (bachelor, MBA, PhD) and presupposes on the one hand general professional skills, and on the other hand, specific professional skills.

General professional skills are developed within the wider context of the field of study or of the fundamental field of knowledge. General professional skills may be common to several study programs provided for the development of different, but related qualifications.

Specific professional skills are developed within the narrow range of a particular study program (Năstase, 2012, pp. 18).

Transversal competencies (sometimes also called generic skills) represent value and attitude acquisitions that transcend the study program or the domains approached by the student and are expressed by the following three descriptors: a) autonomy and responsibility; b) social interaction; c) continuously personal and professional development (Năstase, 2012, pp. 19).

Hard skills are teachable skills which can be tangible and measured with tests, exams and interviews. Soft skills are psychological and emotional competences enabling a person to deal effectively with challenges in personal and professional life (Shethna, 2016).

In order to obtain a job in the economic field, young graduates need to make sure they possess soft skills which come to complete the hard skills acquired during the university studies. Soft skills take into account the attitude of the candidate, but also the way in which the soft skills may convince the employer to fill the position the candidate applies. Soft skills must be proven by the candidate and not only mentioned in the CV or in the hiring interview.

Soft skills are included in the educational requirements, so teachers have to be more preoccupated to ensure the development of these competencies among the students. In order to be as competitive as possible in the current market of permanently changing workforce and also connected to the economic reality, students are increasingly aware of the importance they have to give to soft skills alongside the specialized knowledge acquired in the university.

It is not easy to fit all the soft skills into the traditional methods of learning and teaching. For example, developing the skills to communicate in a foreign language may be solved through conventional methods of teaching and learning, while developing an entrepreneurial and leadership spirit, or the ability to withstand stress can be stimulated and developed only by resorting to specific techniques.

In Tilea's opinion most frequently such technics impose a high level of creativity and innovation from the teacher or trainer and, also, the challenges are much more complex than in traditional teaching. Transversal skills require new ways of learning and teaching, which go beyond the conventional limits of school subjects, while decision-makers in education are extremely aware of this reality (Tilea, 2015, pp. 12).

The key competence - as the finality of the training process - has a well-defined presence in the National Education Law (Law no. 1/2011), representing a major target in the whole lifelong learning process. Vocational education and training of children, young people and adults, have as main purpose the formation of skills, understood as the multifunctional and transferable assembly of knowledge, skills and aptitudes, necessary for:

a) personal fulfillment and development, by achieving the own life goals, according to each one's interests and aspirations, and to the desire to learn throughout the entire life;

b) social integration and participation as active citizen in the society;

c) implication in the functioning and development of a sustainable economy;

d) setting a life concept based on humanistic and scientific values, on national and universal culture, and on stimulating intercultural dialogue;

e) education in the spirit of dignity, tolerance and respect for human rights and fundamental freedoms;

f) cultivation of the sensitivity to human issues, to moral-civil values and respect for the natural, social and cultural environment (Law no.1/2011, art. no. 4).

Ardelean and Mândruţ (2012, pp. 22) consider that from the definition and analysis of key competencies, results that: such competencies are defined through an abilities-attitudes knowledge system; they have an implicit transdisciplinary character and are the educational endings of compulsory education. Key competencies must be the basis of permanent education.

Literature review

In the Romanian and foreign literature there are a series of studies, debates, reflections on the issue: hard skills versus soft skills.

The exploratory study conducted by Cărbunăreanu (2015) try to present the employers' perception of the skills of MBA students which graduates the Public Administration program of the Faculty of Political, Administrative and Communication Sciences from Babeş Bolyai University, Cluj Napoca, Romania.

The study aimed to explore a number of issues, such as: the skills required for insertion into the labor market, the place where competencies are formed, as well as proposals to improve the way to measure the level of skills.

Employers interviewed in the study consider that the place of competence training is the place of work, but the institution in which the graduate was formed has an important role. In Cărbunăreanu's opinion, the institution in which the graduate was trained represents the place of accumulation of theoretical knowledge and provides the context for competence development. The main measures proposed by employers to improve graduates' skills are primarily aimed at: the importance given to the practical training of graduates by increasing the length of internships, focusing the disciplines from the university curriculum to the labor market requirements, inviting specialists from the economic environment to sustain useful practical presentations to students, the importance given to the lingvistic skills of graduates, involvement of students/MBA students in research activities and collective working at national/international studies, articles, programs and projects.

According to a new research done by the leading specialist in jobs and recruitment, Robert Half (2015), leadership qualities and important communication skills, along with strong technical skills, are a priority for candidates wishing to take up a position in the financial and accounting field, in order to provide added value for the firm. Other suggestion coming out from the study is the need of interpersonal skills and risk taking, to achieve success in the accounting and finance profession.

According to the research of accountancy recruiter Randstad Financial & Professional, 76% of the accounting firms included in the target group of the study is looking for candidates able to prove that they own strong soft skills. Managing director of Randstad Financial & Professional affirm that: „Managerial and leadership skills would be the most popular with big professional services firms”. However, the study found that among the soft skills sought by employers, excellent communication and listening skills are in the top of preferences. “Clearly, strategic leadership is important - a trait that the Big Four will look for in all of their A-players – it’s communication and listening that everyone needs to demonstrate at the moment” (Doherty, 2015).

Marc Zao-Sanders (2015) says that „In reality, tasks we carry out in a successful modern workplace require both, soft and hard skills”.

Tanaka and Sithole (2015) have conducted a study that established what kind of skills employers of accounting graduates expects and what skills the accounting graduates demonstrate. The target group consisted of 35 Swiss employers interested in hiring graduates of accounting programs. Employers came from diverse areas: production, services, public sector and NGOs. The results of the study indicated that computing techniques, written communication and reporting skills are highly demanded by employers. In contrast, employers perceive accounting graduates to be highly skilled in measurement skills, reporting skills and research skills. Even if employers have found that students of accounting programs are well trained in word-processing and knowledge of communications software competencies, they expect more accounting knowledge. The results of this study are useful not only for managers, but also for academic staff, in order to improve the content of the curriculum, to develop the hard and soft skills necessary for the graduates of accounting programs applying for a job in the current context of permanent transformations taking place on the labor market.

In the research of Cernușca et.all (2016), the CECCAR members concluded that in over 50% of the number of the accounting Alumni students interviewed, soft skills are more important than hard skills, when talking about entering into the labor market in the field of accounting.

Han (2015) distinguishes careers that require more hard skills and less soft skills (e.g. physicists); careers requiring both, hard and soft skills (e.g. accountants, lawyers), as well as careers where soft skills are prior to hard skills (e.g. sales). For those who want to apply for a job in the economic field, both, hard and soft skills are required.

Doyle (2017) underlined that „While certain hard skills are necessary for any position, employers increasingly look for job applicants with particular soft skills. This is because, while it is easy for an employer to train a new employee in a particular hard skill (such as how to use a certain computer program), it is much more difficult to train an employee in a soft skill (such as patience)."

To have good hard skills usually takes smarts or IQ (also known as your left brain-the logical center). To have good soft skills usually takes Emotional Intelligence or EQ (also known as your right brain - the emotional center) (Han, 2015).

Hard skills are skills based on the same rules, regardless in which company or in what circumstances peoples use to work. The opposite are soft skills, with changing rules from one company to another, from a culture to another, from people to people (Han, 2015).

Hard skills can be learned in school and from books. There are usually designated level of competencies and a direct path as how to excel with each hard skill. Most soft skills are not taught well in school and must be learned at the job, through trials and errors**.** There are many books and guides on soft skills (Han, 2015).

Generally, formal education from all over the world focuses mainly on hard skills training. James Heckman, winner of the Nobel Prize for Economics in 2000, demonstrates in his research projects that „The level of development of soft skills directly influences the formation of cognitive skills and largely predicts good school performance**"**.

Moreover, Heckman pulls a great alarm signal: "The earlier we invest in training these skills, the greater benefits we will have, and the longer we defer this investment, the more we lose the benefits it can bring us" (Dagmar, 2014).

A great deal of emphasis was placed on integrating cross-curricular competences into the curriculum. European countries tend to combine several approaches to provide transversal skills: they can be taught as self-contained disciplines, as part of a wider curriculum or a learning area, and can also be delivered throughout the curriculum where all teachers have the responsibility of teaching (eacea.ec.europa.eu, 2017).

Within the university environment, a number of projects that aimed to raise awareness among teachers, students and business environment have been developed, regarding the importance of developing hard and soft skills. So, within the POSDRU project: „Good practice guide of implementing the national higher education qualifications framework”, coordinated by Pavel Năstase, there are debated a series of issues related to the general/specific professional competencies and the transversal skills of bachelor, MBA and PhD students.

The Inter-Institutional Cooperation Project „New Tools for the Integration of Transversal Skills in Modern Teaching Practice (TRANSMOD)” coordinated by Monica Tilea, supports the need to develop a toolkit to integrate transversal competences in teaching. The final objective of the project was to publish a good practical guide, with new methods and devices for the student’s transversal skills.

Thus, the Good Practice Guide addresses a number of issues related to the development of professional competences through the project method, developing professional competences in the financial, marketing, management and entrepreneurship domains.

Methodology and Purpose of the study

The aim of our research is to study the perception of the employers in opposite to the students and MBA students perception from the Faculty of Economics, “Aurel Vlaicu” University of Arad, regarding the competences required in order to access the labor market. Starting from these concerns, an exploratory study based on a transversal type descriptive research was done; the research method used was the survey, the research tool being the questionnaire.

The questionnaire includes two categories of questions: general questions, their role being to provide a more accurate picture of the personal profile of the target group, as well as questions relating the perception of the target group regarding the competences required to access the labor market.

The questionnaire was distributed to a target group of 300 students and MBA students from “Aurel Vlaicu” University of Arad, Faculty of Economics, and to 200 employers working in Arad County.

From the 300 students and master students, 90 are employed full time or part-time, and 110 are not employed.

The questionnaire was distributed between October and November 2016. The basic aspects pursued within the scientific approach consist in formulating opinions regarding the importance given to hard skills vis-à-vis soft skills, in order to access the labor market by the economists.

The material proposes a dynamically research objective by testing two hypotheses broadly presented in the next paragraph. The objective of the research is to identify the views of the target groups regarding the importance given to hard skills, vis-à-vis soft skills.

Designing the research assumptions helps us in clarifing the issues that will be debated following the research; these assumptions may be accepted or denied by using calculations based on the statistical chi-squared test.

In this context, the following steps have been taken: formulating the statistical hypotheses, setting the significance threshold "alpha" and those of the degrees of freedom, definition of the square chi parameter, definition of the critical region, calculation of the observed parameter value and finally, the decision making process.

Results of the study

We intend to bring into attention the issues analysed in that paper, in order to achieve the proposed objectives. We envisage two target groups: Group 1, consisting of 300 students and MBA students, 90 of them being full-time or part-time employees, while 110 are not employed, Group 2 consisting of 200 employers. We divide Group 1 into two subgroups: Subgroup 1^1 consisting of 90 students and MBA students who are employed on a full or part-time basis and Subgroup 1^2 consisting of 210 students and MBA students who do not work.

Within the main objective of the paper, we aim to identify the perception of the two target groups regarding the importance given to hard skills in relation to soft skills, in order to access the labor market by young economists. To achieve this goal, we propose to test the following hypothesis:

Hypothesis H_1: There is a difference of perception between the two target groups

There is a difference of perception between the two target groups (subgroup 1^1, 1^2 and group 2) in terms of the importance given to hard and soft skills, regarding the young economist's access on the labor market.

The two target groups have to answer the following question: "Are hard skills a priority in hiring young economists?"

The predefined answers to the question were based on the Likert scale, using five variants of answers, from total disagreement to total agreement.

Zero Hypothesis H_0: There is no difference of perception between the two target groups (subgroup 1^1, 1^2 and group 2) in terms of the importance given to hard or soft skills, regarding the access of young economists on the labor market.

In order to test the hypothesis we will appeal to Karl Pearson's chi-squared test.

Decision criteria's:

• The materiality: alpha = 0.05

• The number of freedom degrees:

df = (columns no.- 1) × (rows no.- 1) = (5-1) × (2-1) = 4

Table no.1. Observed and theoretical frecquencies (under group 1^1, under group 1^2 and group 2)

OBSERVED AND THEORETICAL	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total rows
Under group 1^1	6/5	36/30	9/12	26/30	13/13	90/90
Group 2	10/11	61/67	31/28	71/67	27/27	200/200
Total columns	16/16	97/97	40/40	97/97	40/40	290/290
The calculation of the parameter's observed value: $Chi^2_{calculated} = (6-5)^2/5+(36-30)^2/30+(9-12)^2/12+(26-30)^2/30+(13-13)^2/13+(10-11)^2/11+(61-67)^2/67+(31-28)^2/28+(71-67)^2/67+(27-27)^2/27=3.47$						

Under group1[2]	17/14	38/50	27/30	73/74	55/42	210/210
Group 2	10/13	61/49	31/28	71/70	27/40	200/200
Total columns	27/27	99/99	58/58	144/144	82/82	410/410
The calculation of the parameter's observed value: $Chi^2_{calculated} = (17-14)^2/14+(38-50)^2/50+(27-30)^2/30+(73-74)^2/74+(55-42)^2/42+(10-13)^2/13+(61-49)^2/49+(31-28)^2/28++(71-70)^2/70+(27-40)^2/40=16.05$						

Source: authors own projection

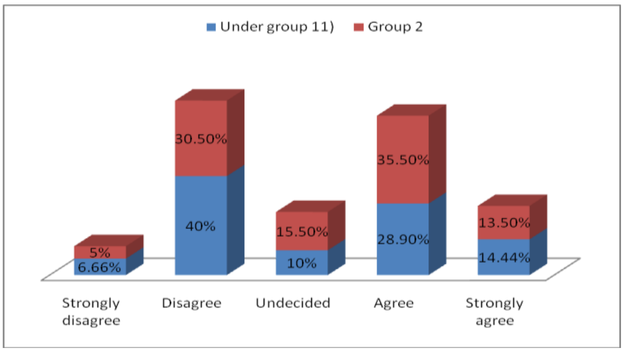
Case a) the perception difference between undergroup 1[1] and group 2 regarding the importance given to hard and soft competencies in order to acces the labor market.

$Chi^2_{calculated} = 3.47$
$Chi^2_{critical} = 9.488$

The decision making:
$Chi^2_{calculated} < Chi^2_{critical}$

Zero hypothesis is accepted, while the alternative hypothesis is rejected. They are not a perception difference between undergroup 1[1] and group 2 regarding the importance given to hard and soft competencies in order to acces the labor market.

Fig. no. 1. The opinion of groups 1[1] and 2 regarding the importance given to hard and soft competencies



Source: authors own projection

Less than 50% from the respondents belonging to group 1[1] consider that hard competencies are more important than the soft one, for the young economists (14.44% strongly agree and 28.90% disagree regarding the above mentioned opinion). 6.66% from the respondents strongly disagree, 40% disagree and 10% are undecided.

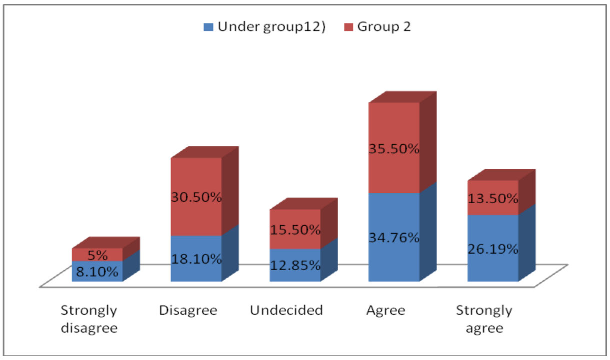
Around 50% from the respondents belonging to group 2 consider that hard competencies are more important than the soft one (13.5% strongly agree regarding the above mentioned question, while 35.50% agree). 5% from the respondents strongly disagree, while 30.5% disagree that hard competencies are more important than the soft one. 31 persons are undecided.

Case b) the perception difference between undergroup 1[2] and group 2 regarding the importance given to hard and soft competencies in order to acces the labor market.

$Chi^2_{calculated} = 16.05$
$Chi^2_{critical} = 9.488$
The decision making:
$Chi^2_{calculated} > Chi^2_{critical}$

Zero hypothesis is rejected, while the alternative hypothesis is accepted. So, they are a perception difference between undergroup 1[2] and group 2 regarding the importance given to hard and soft competencies, in order to acces the labor market.

Fig. no. 2. The opinion of groups 1[2] and 2 regarding the importance given to hard and soft competencies



Source: authors own projection

More than 50% of the respondents belonging to subgroup 1[2] believe that hard skills are more appropriate a priority than the soft ones, to allow the young graduate economists to access the labor market (26.19% are in total agreement with the question above mentioned, while 34.76% just agree, 8.10% of the respondents expresses total disagreement, 18.10% expresses disagreement, while 12.85% are undecided).

Almost 50% of the respondents belonging to group 2 consider hard skills to be a priority (13.5% are in total agreement with the question above mentioned, 35.50% just agree, 5% of the respondents expresses total disagreement, 30.5% expresses disagreement and 31 respondents are undecided).

If a candidate that applies for a position in the economic field have only hard skills, will make him or her to be interviewed, and even be selected for the job, while soft skills will help the candidate only to keep the job. Candidates applying for an economic job need to improve their hard skills through learning during the initial training (bachelor/master programs), and these can be developed through lifelong learning activities. Hard skills are easier to evaluate than soft skills, and they are confirmed through the diploma of studies, as well as other certificates that the candidates specifies when submitting their CV. While hard skills can be acquired during initial training, with soft skills we gain by birth. For some soft skills, there are no diplomas and certificates to prove them. They can be highlighted from issues such as: the attitude shown by the candidate applying for a job, behavior, communication, teamwork skills, decision making, its reactions, initiative and entrepreneurial spirit, openness to lifelong learning, outward appearance (clothing, gestures, etc). Individuals with these skills prove to be more effective at work and may have more chances to climb the professional hierarchy.

It is not enough just to mention the soft skills in the CV, but they must also be proven as being held by the candidate. People with poor soft skills can improve them.

There are various methods to improve the soft skills: lifelong learning courses, participation at volunteer actions, finding mentors and so on. For example, volunteering alongside the workteam in an NGO provides the opportunity to develop soft skills, like: developing entrepreneurial spirit, developing communication skills by supporting a speech to a target group, interacting with people from different cultural backgrounds, etc.

An important role in the development and continuous improvement of the education system involves an efficient and harmonious initiate training and lifelong training. The concept of lifelong learning is essential in the context of knowledge society. The education and training strategy in Romania during the 2016-2020 period provided at point 31 that continuous training is divided in two dimensions: a) skill training programs, teaching, skills, specialization organized by the training providers authorized by law, workplace training organized by employers for their staff; b) skills assessment obtained by other means than the formal ones, by using evaluation centers for the competences acquired in other ways than the formal legally authorized ones.

Labor market occurred a series of changes in recent years due to globalization. In this context are raising questions concerning the requirements that employers are considering in the recruitment process. We find increasingly the mutations occurred in terms of the criteria that employers take into account in the selection process, meaning that the focus moves from candidates with strong hard kills and highly specialized, to candidates with high growth potential and able to adapt to new unforeseen situations. Cristina Popescu, manager of the recruitment company QPAS opines that „unfortunately, technical skills are learned more easily than the soft ones, so that if interpersonal skills are important for the part, the employer will lower the bar when it comes to technical skills in favor of «soft»” (Dobre, 2013). Given the current changes in the labor markets, analysing the personnel selection process, we find out that the required soft skills are increasingly high.

Mădălina Bălan, Managing Partner HART Consulting says that: „Much of managers are dissatisfied with the candidates, as they are unable to adapt to new situations and to express assertive. Therefore, companies prefer candidates without a rediscovered potential. The discussion moves, so as to identify this potential. The use of psychometric instruments during selection is one of the most tested and effective strategies in terms of costs to identify the most suitable candidates” (Dobre, 2013).

The "Labor Market 2017" report conducted by hipo.ro, highlights the Top 5 of soft skills appreciated by the employers, when selecting and recruiting staff. This are, in order: communication skills**,** adaptability, focus on results, proactivity and troubleshooting (contabil.ro, 2017). Communication skills requires the candidate's ability to express themselves clearly, either verbally or in writing, either visually or nonverbal. Employers look for candidates who are able to voluntarily open communication channels, to ensure the work of a harmonious and constructive environment, thus contributing in building a team that can lead to efficiency and positive results for the company. To survive, grow and develop within the company, candidates must continually learn and adapt their knowledge acquired in the university, to the continuous needs and permanent changes occurring within the organization. The candidate must show pliability and diplomacy, and adapt its behavior to the organizational environment. In the company there are a number of problems and unforeseen situations which often require an urgent solution. Applicants should have skills to engage in work, assume permanent responsibilities, and strive to invest time to find solutions to solve the problems proposed in order to fulfill those tasks that are related objectives. Candidates who are oriented towards results are much appreciated by the working team and seniors, being considered main people in the organization. They set goals in a realistic, measurable and competitive way, looking for the fastest and effective way to solve problems and achieve planned results.

The teamwork are not responsible for the employee’s success. Only the employee can achieve professional success and overcome unexpected problems that may occur. The way in which the employee is related to the problem is very important and it is important for the employee to be oriented in the direction of practical solutions, to determine the steps it has to follow to be perseverant in its actions needed to achieve a successful goal. The employee must be proactive and to have enough desire to create a favorable environment in order to achieve the objectives.

To ensure that the offer on the labour market will satisfy the needed soft and hard competencies, employers are becoming increasingly interested in getting involved in the training, developing and collaborative actions with the universities, by setting up programs and joint projects, organizing internships and round tables. In our globalized world, employers are not interested only in employing highly qualified graduates for work, but they must be willing to learn throughout life, to have good communication skills and teamwork, to possess good digital skills, to be capable in negotiating, resistant to stress, manage their time effectively to meet deadlines etc.

It is needed a continuous improvement of the adaptability of prospective employees to the employers' needs, to combine the flexibility and compatibility of the knowledge acquired in courses and seminars with practical work requirements and future needs. The educational environment has made efforts in order to adapt the methods of teaching and learning to the soft skills requirements. Important roles have the strategies of teaching/learning based on the interactive learning methods.

The university curriculum should focus on the development of software competencies, in order to contribute to the employment prospectives of future graduates who intends to apply for a job in the economic field. We can take into account several approaches by which the university environment can contribute to the development of soft skills for students and MBA students. Soft skills can appear as self-standing disciplines in the university curriculum.

In order to develop the key competencies of students and MBA students, teachers must continually improve their knowledges.

National and international programs and projects come to support teachers in assimilating new modern methods and techniques of learning and teaching.

The activities that come to argue the efforts of the higher education institutions in order to acquire these soft skills by students and MBA students, and also by future economists, mainly refer to:

- running internships;
- organizing summer schools;
- organizing scientific Olympiads for students;
- organizing interactive activities within the students scientific circles;
- the opportunity offered to students and MBA students to participate in national and international programs and projects;
- flexibility and compatibility of the theoretical knowledge acquired through the requirements and needs of future practical work, as a result of the collaborations between universities and businesses, as well as between universities and professional bodies.

Conclusions

The case study shows that there is no perception difference between the interviewed respondents like employers, students, MBA students or economists who have a job, in terms of the importance given to hard and soft skills in accessing the labor market, by young economists. The respondents are aware that soft skills are a priority in integrating the economists in the labor market.

On the opposite side, the students and master students surveyed who do not have a job prioritize hard skills in penetrating the economic labor market.

To act as a creator, mediator, conservationist and sustainable value-supporter, professionals working in the economic field must harmoniously combine both, hard and soft skills. Without this, it is almost impossible to fulfill the roles and activities within the organization.

By harmoniously combining hard skills with soft skills, economists will be closer to clients, supporting and contributing to the development of sustainable organizational success, and that way, the economist profession will only gain.

The economic environment of the university has an important and high responsibility in terms of learning outcomes materialized in hard and soft skills, which together have a huge contribution in improving professional qualification.

The mission of the modern teacher is to develop educational strategies that highlight the importance and necessity of cultivating soft skills along with the specialized knowledge of the job, in order to access the labor market by the young graduates.

The universities mission, as an education provider, is to manage training, in order to prepare young graduates for a society that is constantly changing and opening up to new. Traditional learning must be combined with modern methods of teaching, learning, evaluation, and tools of the new digital technology. By doing this, university professors can contribute at the process of raising awareness among students and MBA students regarding the importance to own soft skills in the current context of human resource development within the organization.

The Romanian Strategy for Education and Continuing Vocational Training for the period 2016-2020 seek to continuously adapt its education and training offers in line with the labor market requirements and the needs of direct beneficiaries.

The education and training system must continue to be focused on creativity and innovation, on the development of hard and soft skills that allow a personal development and the integration of graduates into the global labor market.

Limitations

The main limit of our research lies in the fact that the target group where only employers from Arad, as well as students and MBA students from a single university. In the future we intend to expand the target group to other employers in the country and abroad. At the same time, we aim to expand our research to students and master students from other faculties, to members of the academic environment, as well as to other users of economic information, in order to obtain additional data and to substantiate more relevant and reliable conclusions.

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Measuring Satisfaction of Algerian Social Insured: A PLS-SEM Approach

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Abstract
This study presents a quantitative survey to measure the different factors that affect users' satisfaction in the Algerian Social Insurance Fund. The research uses structural equation modeling (SEM) to analyze and confirm the conceptual model proposed in the study. The findings show that (1) reliability, insurance, relations and ethics have a significant effect on user satisfaction; (2) transparency and tangibility have no significant effect on social insured satisfaction. These findings can help decision makers in public service sector to keep monitoring performance and improving service quality.
Keywords: Public sector, Satisfaction, Perceived quality service, Algerian user, SEM technique.

Introduction

Public service considers the population extensively in its everyday life: school, health, urban and railway transportation, garbage collection, electricity and water distribution, cultural activities, air quality etc. The different activities of public service take an important part in the economic resources of the country, where the public services are the investors, the consumers, the producers and the employers of first plan.

In Algeria, the public service is not positioned in logic of competition and customer loyalty. However, government often remembers on public forum, that the role of administrators, whatever their status in the hierarchy is to facilitate the daily lives of Algerian people: "This is to restore the trustfulness of the Algerian citizen on the institutions of his country; the gap between the citizen and the administration now is large" states the prime minister. These developments demonstrate to a profound paradigm shift: indeed, in the theory of public services exposed by Duguit, improving relations between the users and the public service can only be undertaken on a legal mode since it devolves on legislator only to know the general interest and thus to define the expectations of users (Didry, 2005).

From the literature review, it is mentioned that wide-reaching studies support the statement that service quality is the precursor of satisfaction (Brady and Robertson, 2001; Sureshchandar et al., 2011). Additionally, providing service in public sector is more complex because it is not only a matter of meeting the stated needs but also setting the priorities, and allocating public resources (Ernani, 2014). While perceived service quality is fundamental to marketing practices in the public sector, its conceptualization has received limited attention (Guenoun et al., 2015).

In this study, we examine the determinants of user’ satisfaction in the Algerian public sector mainly in the national social insurance fund better known by its French language acronym (C.N.A.S). Within the framework of the general government policy, this institution has as mission to ensure that the various benefits provided by the legislation of the family and social protection are covered. The said mission is translated concretely by paying social benefits to workers or their rightful claimants: family benefits, old-age invalidity and death pensions, industrial accidents and occupational diseases compensation.

The study is based on a sample of 315 CNAS users in Algeria. The research uses structural equation modeling (SEM) and partial least squares (PLS) approach to analyze and confirm the conceptual model proposed in the research. In this sense, the current study aims at assessing the impact of service perceived quality on the users’ satisfaction by using the six dimensions of PSQ model.

Literature Review

The public sector is a part of economic life, public ownership, which deals with the production, delivery, and allocation of basic public goods and services. It may exist at any of four levels: global, regional, national, or local. Its processes and structures can take the form of direct administration, public corporations, and partial outsourcing. Its activities are funded through government expenditure financed by taxes, and government borrowing, or through grants (Serrat, 2010). Beyond the technical tasks that they fill, the public services play a significant role in fighting poverty, to promote the equality of citizens and to combat the inequality.

The origin of the term satisfaction is latin: satis (enough) and facere (to make); which means to provide what we search for until it is "enough". It means also that there will be satisfaction if and only if the product or service has exactly provided to the consumer what he wished. What is necessary to know also is that satisfaction is based on perceptions and expectations (Zeithaml et al., 2009).

In a public service, which is normally monopolistic, measuring citizens' satisfaction is a way to evaluate the performance. On the other hand, private companies have other tools such as profit. Thus, there are four types of needs to satisfy in the public sector: (1) Needs of usage: water, security, lodging, employment, transportation, education... (2) Needs of associated services: information, simplicity, personalization, confidentiality, rapidity, claim... (3) Needs of society: social cohesion, territorial, sustainable development, citizenship..., (4) to the just cost: need of taxpayer and/or the customer (Touati, 2009).

In general, the quality recognized like comparison between users expectations towards the service provided and its real performance. According to Grönroos (1984), the customer assesses the service quality through two dimensions: the technical dimension and the functional dimension. The technical dimension is relative to the result of the benefit, to the profit that the customer receives once service experience finished. The functional dimension refers to the process in itself, to the way of which the experience of service is lived by the customer (quality of the interaction with the staff of contact, quality of the environment) (Gronroos, 1984). Quality refers to whether something is good or not (Roslan et al., 2015). However, several practitioners define the quality from different expectations of users towards the services provided with the perception of the service received (Munusamy et al., 2010).

Ovretveit (2005, p. 543) summarizes the complexity of a definition of the quality public services while underlining that this one cannot be technical but political: "A quality public services is not one which just produces happy customers, but is one which has to meet other higher level regulations and do so economically".

The multiplication of these new rights mentions the emergence of a principle of quality of the public service that includes two specific requirements (Maisonas, 2003): (1) Accessibility management in the public services does not summarize in planning the local and the timetables of opening. On one hand, it is about adapting the offer of service to the different social and geographical situations of the users to re-establish the equality of access to the service; on the other hand, it is about reinforcing the legibility of the action while making the information more available and simplifying the administrative steps. (2) Improvement of administrative service goes through a better receptiveness of the users and a more rapidity of action. On one hand, by improving the monitoring facilities to reinforce proximity and on the other hand by accelerating the administrative action and to sanction his delay.

Method

A. User' satisfaction assessment methodology

In this study, we propose the application of a hybrid model "PSQ model" which offers a broad guide to measure the perceived quality of service and satisfaction in the public sector. This model is developed by Goudarzi and Guenoun (2010). It combines the legal model proposed by Sabadie (2003) with some elements from the SERVQUAL quality model of Parasuraman et al. (1985, 1988).

The PSQ model is an operational measurement tool, which allows a hybrid analysis of the SERVQUAL model and the specific measurements of the public services. This model combines four principles of the public action (legal model) retained by Sabadie (2003) and five measurements of the SERVQUAL model (Parasuraman et al. 1985; 1988) descended of the service marketing or what it known as client model. The model also proposes an instrument to measure the users' global satisfaction. Directly operational, the PSQ model can be integrated to the present mode of piloting the public performance while valuing and piloting each of the measurements of public services quality from user's perceptions. This model can complete the measures of other devices commonly used in the public organizations, based on the norms of service.

After data analysis; Goudarzi and Guenoun (2010) keep 31 items and retain six measurements of the of public services quality for measuring global satisfaction:

• The first dimension "Relations" is measured from the items descended of measurements “obligingness” and “empathy” of the SERVQUAL model (9 items). This dimension refers to the relations that the users maintain with CNAS staff. Therefore, we retain four items from this scale:

Rel.1: The CNAS only employs high-quality agents

Rel.2: The CNAS’s agents give you accurate information

Rel.3: The CNAS and its agents intend on helping you to the best of their ability

Rel.4: The CNAS’s agents give you personalized attention

• The second dimension called "Transparency". It is measured from the items descended of measurements transparency and complaint of the legal model (6 items). This dimension refers to the transparency in the offer of the services as well as in the resolution of the problems. Hence, we retain five items from this scale:

Tran.1: The CNAS clearly explains to the inhabitants the decisions affecting them

Tran.2: Your CNAS agency informs users about the progress of their case

Tran.3: The CNAS delivers a prompt service

Tran.4: In the event of problems, the CNAS explains to the citizens the possibilities of recourse available to them

Tran.5: In the event of complaints, your CNAS agency corrects the problem

• The third dimension called “Reliability". It is measured from the items descended of the measurements reliability of the SERVQUAL model (4 items) and participation of the legal model (3 items). Therefore, the participation of the users in the offer of the CNAS services is associated to the reliability of the global service to form a coherent whole. Therefore, we retain all the items of this scale:

Reli.1: The CNAS listens to the expectations of its users

Reli.2: The citizens participate in the definition of the services delivered by the CNAS

Reli.3: The CNAS is trustworthy

• The fourth dimension called "Tangibility". It is measured from the items descended of dimension tangibility of the SERVQUAL model (4 items). This dimension refers to the material facilities of the CNAS. Therefore, we retain all the items of this scale:

Tan.1: The CNAS uses new technologies to improve the quality of its services

Tan.2: The decoration and aesthetics of the material facilities of CNAS services are pleasant

Tan.3: The material facilities of the CNAS are comfortable and well designed

Tan.4: The CNAS has modern material facilities

Therefore, we propose the hypothesis below:

• The fifth dimension called "Insurance". It corresponds to one measurements of the SERVQUAL model and refers to expertise and to the courtesy of the employees (3 items):

Ins.1: The CNAS's agents are polite and friendly

Ins.2: The CNAS's agents try to serve you even when it goes beyond their obligations

Ins.3: The CNAS's agents understand your needs

• The sixth dimension called "Ethics". It is measured from the dimension equality of the treatments of the legal model (2 items).

Eth. 1: All the citizens enjoy equal treatment from the CNAS.

Eth. 2: The CNAS ensures that all citizens receive a service adapted to their needs.

•Furthermore, the dimension "Satisfaction" is measured from the following items:

Satis.1: Overall, you are satisfied with the services offered by CNAS.

Satis.2: When you think about the way in which your CNAS delivers its services, the feeling is largely positive.

Satis.3: Overall, CNAS is well managed and its services are well organized.

Consequently, we suggest the following hypotheses:

H1: Relations have a positive and significant effect on user satisfaction.

H2: Transparency has a positive and significant effect on user satisfaction.

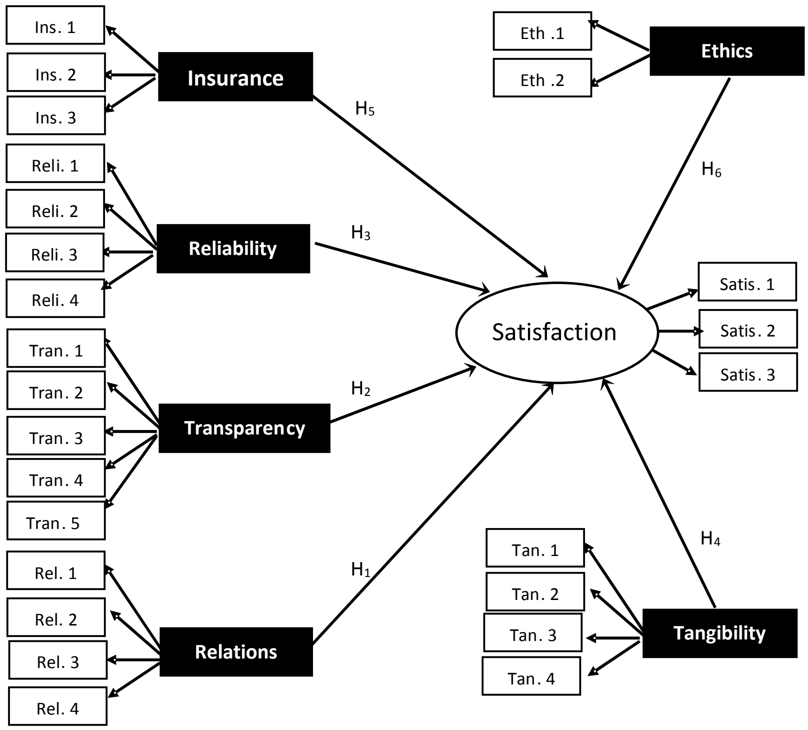
H3: Reliability has a positive and significant effect on user satisfaction.

H4: Tangibility has a positive and significant effect on user satisfaction.

H5: Insurance has a positive and significant effect on user satisfaction.

H6: Ethics has a positive and significant effect on user satisfaction.

Fig. no. 1. Conceptual Model



Source: Designed by authors

B. Questionnaire design

The questionnaire was the same as the Goudarzi and Guenoun (2010) instrument with a 5-point Likert scale. Yet, some items have been eliminated to accommodate it with the scope of the study. An academic experienced in questionnaire design examined the final set of 22 items. After that, it was subsequently piloted with 15 persons among CNAS services users to ensure that the questions and response formats were clear. Minor modifications were made based on the feedback provided by the pilot study.

The final questionnaire consisted of three sections. In the first section, questions were related to public service dimensions. The second section contained items measuring the user satisfaction degree. In the both sections the items were put on a five-point Likert scale where a value of 1 expresses strongly disagree and a value of 5 expresses strongly agree. The third section contained questions regarding demographic characteristics of the respondents such as gender, age, education, seniority and occupational category.

C. Sample and data collection

Testing the suggested research hypotheses was accomplished through a convenience sample survey of 5 different CNAS agencies of Sidi Bel Abbes state (Algeria West).

Table no. 1. Sample profile

		Frequency	Percent
Gender	Male	134	44.8
	Female	165	55.2
Age	18- 30	49	16.4
	30-40	89	29.8
	40-60	149	49.8
	More than 60 years	12	4.0
Seniority	Less than 5 years	65	21.8
	5-15	83	27.9
	15-25	68	22.8
	25-35	62	20.8
	More than 35 years	20	6.7
Occupational category	Active insured	209	69.9
	Pensioner	31	10.4
	Employer	50	16.7
	Particular category	9	3.0
Education	Illiterate	16	5.4
	Middle education	117	39.2
	High education	165	55.4
Total		298	100

Source: Sphinx V5, authors' own adaptation

The respondents filled up the questionnaire within the months of April–June, 2015. Total of 315 questionnaires were collected out of which 298 were found to be completely and accurately filled, the rest 17 were discarded due to incomplete information. Respondents were the service users of different five agencies. The detailed sample characteristics are shown in Table 1.

Findings

The study used structural equation modeling (SEM) to test the conceptual model. SEM is a second-generation multivariante data analysis method that is often used in marketing research because it can test theoretically supported linear and additive causal models (Wong, 2013). It is also useful for concurrent assessment of both reliability and validity (Kushwaha and Agrawal, 2015). As the conceptual model is relatively complex, a partial least squares (PLS) approach was employed using the Smart PLS software (Chin, 1998).

A. Scale validity and reliability

To evaluate the validity of each latent construct, a confirmatory factor analysis (CFA) was made by investigating the convergent validity and discriminant validity. Convergent validity is tested by examining the factor loadings and the average variance extracted (AVE) which should be greater than 0.50 for both (Ling and Ding, 2006). Discriminant validity has been assessed using the square root of AVE that should exceed the construct correlations with all other constructs. The constructs' internal consistency can be measured for all scales through Cronbach's α as well as a measure of composite reliability (CR) and should exceed the recommended threshold criterion of 0.70 for both (Wong, 2013).

Table no. 2. Measurement model summary

Constructs		AVE	CR	α	Correlation						
					1	2	3	4	5	6	7
1	Insur.	.7445	.8973	.8287	**.8628**	-	-	-	-	-	-
2	Ethics	.7449	.9211	.8856	.5763	**.9350**	-	-	-	-	-
3	Reliab.	.8952	.8952	.8541	.6356	.6152	**.8631**	-	-	-	-
4	Relat.	.7153	.9095	.8673	.7561	.7388	.6624	**.8458**	-	-	-
5	Satisf.	.8796	.8796	.8204	.6936	.6805	.6840	.7590	**.8803**	-	-
6	Transp.	.8743	.9329	.8563	.5250	.6558	.7038	.6948	.5826	**.7944**	-
7	Tangib.	.7750	.9118	.8548	.5418	.3973	.6088	.4892	.5213	.4886	**.8042**

Source: Smart pls V2, authors' own adaptation

Note: α = Cronbach's alpha, CR = Composite Reliability, AVE = Average Variance Extracted.

The Diagonal elements in bold are squared AVE; off-diagonal elements are the correlation between constructs.

Results of Table no. 2 illustrate that the AVE for all variables exceeded the recommended level of 0.50 (Bagozzi and Yi, 1988) CR and Cronbach's α of all the latent variables are greater than the acceptable limit of 0.70. The values of the square root of the AVE are all greater than the inter-construct correlations. Thus, the measurement model reflects good construct validity and reliability.

B. Structural model analysis

To evaluate the model within SmartPLS software, the goodness of fit (GoF) index is calculated by the geometric mean of the average communality and the average R^2 (for endogenous constructs) (Henseler and Sarstedt, 2013). The R^2 is the coefficient of determination; it refers to the exploratory power of the predictor variable(s) on the respective construct. In the present study, the calculated value of AVE=0.73 and R^2=0.67. For the model, a GoF value is 0.7, which indicates that a very good global model fits with the data collected.

Table no. 3. Structural model estimates

Path	β	t-values	Results
H_1: Relations → Satisfaction	.339	5,129	Accepted
H_2: Transparency→ Satisfaction	-.078	-1,433	Rejected
H_3: Reliability→ Satisfaction	.229	4,076	Accepted
H_4: Tangibility→ Satisfaction	.081	1,854	Rejected
H_5: Insurance→ Satisfaction	.168	3,056	Accepted
H_6: Ethics → Satisfaction	.211	4,024	Accepted

Source: Smart pls, authors' own adaptation

Bootstrapping with 2000 resample was done to derive t-values for significance testing of the structural path (Chin, 1998). Standardized path coefficients (β), t-statistics, and associated significance levels for all relationships in the study model are presented in Table 3. Using a two-tailed t-test with a significance level of 5%, the path coefficient will be significant if the t-value is larger than 1.96 (Chin, 1998). The results indicated that Insurance (β=0.168; p<0.05), Reliability (β=0.229; p<0.05), Relations (β=0.339; p<0.05) and Ethics (β=0.211; p<0.05) had a positive and significant effect on user satisfaction. Thus, H1, H2, H4, and H6 were accepted. However, transparency (β= -0.078; p>0.05) and tangibility (β=0.081; p>0.05) showed no significant effect on user satisfaction. Therefore, H3 and H5 were rejected.

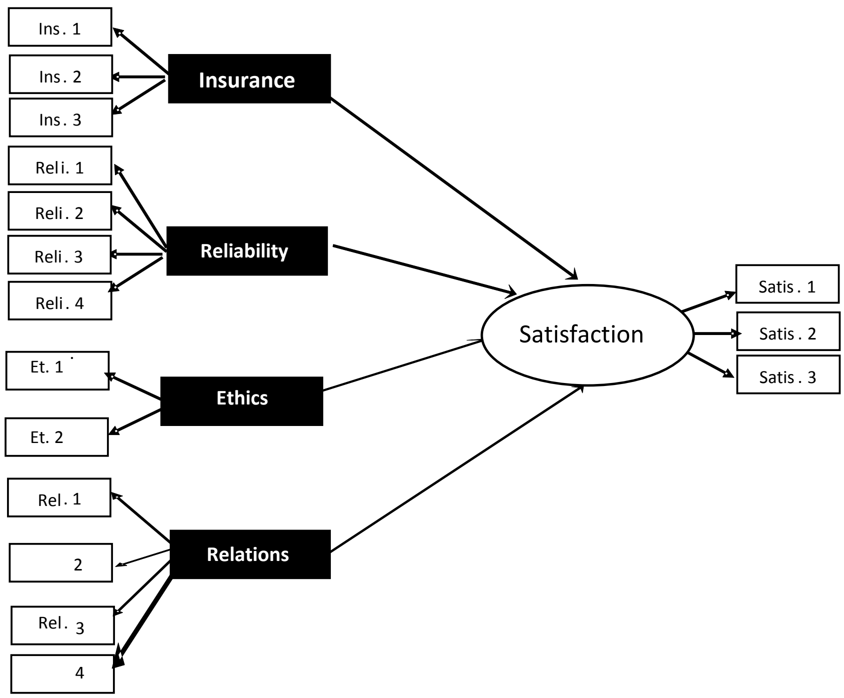
Conclusions and discussion

Overall, we assumed that the service quality is determined by six measurements - adopted from the literature review: (1) the relation that the users maintain with the staff of the CNAS; (2) The reliability that makes reference to the capacity discerned of the beneficiary to achieve the service promised; (3) the insurance that makes reference to expertise and to the courtesy of the CNAS employee and his or her ability to inspire confidence; (4) the ethics that makes reference to the equality in treatment of the social insured; (5) the transparency of the information provided to the social insured on the actions of service of the CNAS and on the treatment of their demands in individuals; (6) the tangibility that makes reference to the material facilities, and to the staff's appearances.

The study found relation; reliability; insurance and ethics had a positive and significant effect on user satisfaction. However, transparency and tangibility had no significant effect on social insured satisfaction. It can conclude that the social insured sees and judges the services of the CNAS with a big emotional part cognitive. The results of the analysis indicated that among the different dimensions addressed in the model, the relation had the most (β=0.339) impact on user satisfaction, followed by reliability (β=0.229) and ethics (β=0.211). On the other hand, insurance (β=0.147) had a small effect on social insured satisfaction among them (see Table 3). Therefore, citizens pay attention to the interaction between them and the frontline employees. They solicit empathy, friendliness of staff and willingness to help them. Users look also for the trustworthiness and benefit of the prompt service within the agreed deadline. Otherwise, people in CNAS agencies expect equal treatment and understanding their needs. Based on the prior discussion, the hypothesized model is modified (Fig. 2) to remove the factors that had no significant effect on satisfaction users.

The present study uses PSQ model to measure Algerian users' satisfaction and perceived quality service since it has been not frequently used for evaluate the quality service in public sector. However, this research confirms that this model is compliant with the theory and we have verified its validity. Therefore, it can be considered like an initiative to other structural models in order to establish, shortly, of new studies and research in the domain. On the managerial level, this model gives a new lighting to the local decision-makers in order to integrate it for piloting the public service performance. The perceived quality of service for the social insured represents an important dimension on his satisfaction and a credible indicator to put in evidence as well as to correct some dysfunctions in the National Social Insurance fund "CNAS".

Fig. no. 2. Modified Model



Source: Designed by authors

The purpose of the study was to demonstrate the most important elements that influence Algerian user' satisfaction in the context of CNAS services. The present study examined the PSQ model to confirm and explain the mentioned relationship and SEM technique was then applied to test the model with a 2000 subsamples bootstrapping procedure using the Smart PLS software.

This study highlights important concepts relating to the satisfaction and quality service in the public sector by developing a research framework with six hypotheses to explore the influences of determinants of perceived quality on users' satisfaction in Algerian social insurance fund. This analysis' results show that relation that maintain citizens with fund' employees would significantly affect their satisfaction, and it influence (in terms of path coefficient and statistics significance) are much stronger than the influences of reliability, ethics and insurance.

This study certainly suffers from difficulties due to time and budget limits. All the data were collected only among CNAS users with limited sample and in limited region, therefore these findings cannot be generalized to the entire Algerian public sector. Another topic for future investigation is to explore that there are another factors affecting the citizens' satisfaction. A wider research scope of exploration can make design principles and specific application guidelines that this study identifies and suggests more generalizable.

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Cultural Diversity and Work Engagement in Nigerian Civil Service

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Abstract
How much of cultural diversity will be adequate to spice up the civil service and address some challenges such as redundancy, poor engagement, nepotism and perceived ineffectiveness of the civil service in Nigeria is worthy of investigation. Civil services play an important role in a globalized business environment, where the war for talents is intense and competition for human resource is aided by regionalization, open market principles and an information technology driven environment. A study on cultural diversity is useful for managers, human resource practitioners and organizational behaviorists, to understand culture, people, and work engagement in the organizations. This study examined cultural diversity as predictors of work engagement in the Nigerian civil service sector.
Keywords: Culture; Cultural Diversity; Work Engagement; Civil Service; Nigeria.

Introduction

Nigeria - as country - is endowed with various cultures and ethnic groups. The heterogeneous and diverse cultures have serious human resource implications and possible applications in terms of how organizations can function better and engage the workforce better in achieving stated aims and objectives and avoiding conflicts and crisis of interest. It is the opinion of the authors that two or more people cannot work together except they agree, as it relates to cultural diversity and work engagement in contextual organizational life.

With globalization of businesses all around the world, cultural diversity is more prominent and prevalent because of the global acquisition of human resources and this has become challenging for human resources to manage cultural diversity in the workplace. Also, practitioners and researchers on cultural diversity and organizational outcomes are seeking more understanding on the subject matter and how organizations can become more effective and efficient, having to deal with diverse cultures (Ehimare, Ogaga-Oghene, 2011).

Cultural diversity can be defined as "the co-existence of staff from diverse racial and cultural backgrounds in a particular organization" (Chan, 2011, p. 2). There are various reasons to appreciate workforce diversity in an organization, because it is a critical factor in sustaining equality of access to opportunity amongst a culturally and politically diverse country and from the organizational perspective; it can help the institution to harness the gains and positives from the rich cultural heritage of the people into the work engagement and productivity drive (Henderson, 2011). Therefore, proponents of workforce diversity support the development in a diverse workforce along cultural lines to bring about sustained inclusion of all qualified persons without discrimination and that talents are not excluded because of culture, tribe or race (Al-Jenaibi, 2012).

Oghojafor, George and Owoyemi (2012) define culture "as the way of life of a set of people". Culture is embedded in the beliefs, values and shred assumptions of a particular group of people and acquired over time from socialization, traditions, education and experienced "which are passed from one generation to another; therefore it can be said to be enduring and a main driver of management theories in Nigeria" (Akporherhe, 2002; Oghojafor, Idowu and George, 2012, p. 3). In discussing culture diversity in organizations, it is not limited to beliefs and values associated with a particular tribe; it includes a broader picture of religion, race, national identity, sexual orientation, disability, education, skills, geographical location amongst others (Elmaddsia, 2011). According to Ehimare and Ogaga-Oghene (2011) workforce diversity refers to similarities and differences amongst employees' as it relates to education, age group, tribes, geographical origin and other variables.

Cultural diversity is a subjective phenomenon that is increasing in research attention. Cultural diversity is usually created and sustained by group members in an organization, because they can be easily identified with the members along the cultural lines and affiliation of the same language, belief, educational level and on that basis, they form a social identity (O'Reilly, Williams and Barsade, 1998). It is the opinion of the authors that group associations in organizations seem to be supported with the permission of unions, clubs, associations, religious gatherings, fellowships and so on.

Loden and Rosener (1991) explain primary, secondary and tertiary dimensions of cultural diversity that differentiates one group from another. Primary dimensions of diversity are the exerting direct influences on the identities of individuals such as gender, sexual orientation, physical and mental ability or disability, age, ethnicity, race and personal characteristics that practically distinguishes one person from another. The primary dimensions are such that shapes the self-image of the individual. Primary dimension of cultural diversity are likely to have the most influence on groups in an organization because it relates to personal identification. Secondary dimension of cultural diversity on the other hand are not as direct and impactful on the self-image of the individual, but they add more richness to the personality and identity of the individual. They include geographical location, educational background, family status, first language, work experience, work style, religion, income and communication style, military experience, organizational role and level. The secondary dimension impacts "self-esteem and self-definition" (Mazur, 2010). Lastly, the tertiary dimensions of cultural diversity involve the details of individual identity and are more internalized to the heart and conscience of the individual and in what he/she truly believes. Tertiary dimension of cultural diversity is "the vast array of qualities that lie beneath the surface and provides the real essence of diversity to be tapped into, which includes beliefs, assumptions, perceptions, attitudes, feelings, values and group norms" (Manzor, 2010, p. 5).

In relating cultural diversity and employee work, the use and harmonization of employees in an organization to the work ethics, work beliefs, roles and expectations, is a critical element (Kahn, 1990). Robinson, Perryman and Hayday (2004) define work engagement as a "positive attitude held by the employees' towards the organisations and its values". An engaged employee understands what the job is about, is aware of his/her responsibilities and the business details, collaborate with co-workers to improve performance and deliverables within the job for the benefit of the group and organisations. Employee engagement is a "positive, fulfilling, work-related state of mind that is characterized by vigor, dedication and absorption" (Schaufeli and Bakker, 2004).

Civil service is a vital part of the government in running and administrating the public sector and is often characterized by "administrative bureaucracy". The role of civil service in the growth and development of a country is constantly examined considering the fact that civil service employs a large number of people into the workforce of the public sector that compliments the private sector in a free market economy (Anazodo, Okoye and Chukwuemeka, 2012).

Anazodo (2009) explains the structure of the Nigerian civil service comprising of departments, ministries and agencies (MDAs). The Nigerian civil service follows the system of employment, appointment and promotion along cultural and geographical spread on the basis of a merit and seniority system, which may include examination or screening (Bezzina, 1994 cited in Anazodo, Okoye and Chukwemenka, 2012). This study focused on the civil service in Lagos State which comprises people from various backgrounds and cultures.

Studies on cultural diversity are increasing today in the literature given the increase in global human resource practice and open talent market across boundaries. Some studies have found that various forms of diversity are associated with organizational outcomes such as strategic decision making, organizational performance, innovation and group performance. Other research shows that various types of team and organizational diversity sometimes increase conflict, reduce social cohesion, and increase employee turnover (Jackson, Joshi and Erhardt, 2003; Webber and Donahue, 2001). However, research on cultural diversity using the primary, secondary and tertiary dimension in Nigeria seem to be lacking. Also, there is dearth in literature on cultural diversity in Nigeria given that the country is endowed with a population of over 170 million (2012) and approximately one sixth of African population (or one fifth of Sub-Saharan African population); with between 340-370 ethnic nationalities (depending on the criteria employed), these Nigerians speak variety of languages with numerous dialects, innumerable customs and countless traditions, no doubt Nigeria is one of the most diverse countries in the world (Mustapha, 2006), there is need to extend this research to the civil service sector in Lagos State in terms of how cultural diversity predicts work engagement and close the gap in empirical investigation on cultural diversity.

The complexity of culture and cultural orientation in Nigeria is difficult for organizations and managers to understand and harness in the workplace. Employees are really not engaged in the workplace as they ought to be. A recent research reveals that an upward of eighty percent of workers are not bringing their best effort to the job, which is one in every five worker that is highly engaged (White, 2008). Could lack of work engagement be as a result of inappropriate cultural diversity? It is likely that inappropriate ethnic balancing, poor gender distribution, poor educational status spreading and other dimension of cultural diversity are responsible for poor work engagement in the civil service.

Variety is a popular phrase but how much of the variety in terms of cultural diversity is acceptable and manageable to achieve organizational harmonization is a question begging for an answer. How much of cultural diversity will be adequate to spice up the civil service and address the redundancy and poor engagement of workforce in the public sector is worthy to be evaluated. The civil service in Nigeria also is characterized by dwindling productivity, poor work ethics, nepotism, corruption, ineffectiveness, embezzlement and misappropriation of funds, unethical behavior and other symptoms, and signs of lack of work engagement.

Other areas of problem in dealing with work engagement include the inconsistency of management styles based on the attitudes of individual managers, which can lead to perception of unfairness as a result of cultural diversity, reactive decision making by superiors that does not address workplace problems until it is far too late. Also, lack of visibility and interaction with employees is a problem confronting the civil service as highlighted by Gatenby, Rees, Sosane and Truss (2008), which is rampant in the civil service due to the command system and bureaucratic nature of the public sector in general. It is the opinion of the authors that for employees to be highly engaged in the civil service and for the restoration of the pride of the public sector in Nigeria, there is need for appropriate cultural balancing and right application of cultural diversity devoid of nepotism.

Methodology and Purpose of the study

The survey research design was adopted in this study, which involves the distribution of questionnaires, following the principles of quantitative research and empiricism. The population studied comes from Lagos State Civil Service, Ikeja. The population consists of staff of Lagos State civil service, where workforce diversity is promoted by the Lagos State Government through the inclusion of all people who share the values, aspirations and work ethic of the government, following the Gender and Social Inclusion Policy of the Government. The study is based on a sample size of 120 respondents, and adopt the systematic random sampling technique. The justification for this technique is based on the fact that it enables every subject in the sampling frame to have equal opportunity to be selected without bias in a systematic manner (Ogbeide, 1997). The sampling frame was drawn from a staff list of 153 in the Office of the State Civil Service Commission and Office of the Head of Service of the State Civil Service at Ikeja, Lagos, Nigeria.

This study employed primary data through questionnaires survey from the study population. The questionnaire for the study was scaled items (Likert scale) structured between strongly disagree (=1) to strongly agree (=5). The questionnaire contained three (3) sections. Section A was 6 items bio-data questions, section B was in the form of Diversity Perspective Questionnaire (DPQ) while section C was work engagement questionnaire (WEQ). Cultural diversity was measured by 24-item questionnaire by Podsiadlowski, Groschke, Kogler, Springer and Zee (2013). 9-item work engagement questionnaire drawn from Rothbard (2001) was used as the section C questions. This study will reposition the civil service to fulfill its mandate in the dispensation of public services in Nigeria. This study therefore investigates cultural diversity and work engagement in the Nigerian civil service.

Literature review

Cultural diversity has become more relevant in organizational life and complexity of jobs due to increased globalization and networking (O’Reilly, Williams and Barsade, 1998). Definitions of diversity continue to increase. Cox (2001) defined diversity as "the variation of social and cultural identities among people existing together in a defined employment or marketing setting". Workforce diversity is defined by Kreitner and Kinichi (2004) as the "multitude of the individual differences and similarities that exist among the people working in an organization". This definition highlights that workforce diversity pertains to everybody in the organization because there are differences in personalities. However, workforce diversity is not synonymous with the differences of the workers, as it covers both differences and similarities of individuals and how to deal with both facets concurrently in the organization (Thomas, 1998). Therefore, workforce diversity involves the "collective mixture of differences and similarities of the workers and dealing with workforce diversity requires managers to integrate the collective differences and similarities, properly examining, determining and establishing the collective differences and similarities (Thomas, 1998, p. 6).

It has been observed that business organizations are appreciating cultural diversity more even though the issue of discrimination along cultural lines is prevalent in the workplace. Therefore, the use of workgroup structures in the pursuit of organizational objectives are more pronounced and this incorporates members from diverse socio-cultural backgrounds consciously or unconsciously by the managers or supervisors in charge of the work groups. This system of workgroup structure in organizations is effective in managing a large organizations and organizing work on innovation, faster decision making, innovation, and competitiveness which are critical for organizational success (Mumford and Licuanan, 2004; West and Anderson, 1996). In addition, Milliken and Martins (1996) observes that cultural diversity can be a "double-edged" sword in terms of improving the chances of group members' satisfaction in the diversity and creating the opportunity for creativity.

The composition of organizations in terms of demographics, the internalization of trade and business which has increased movement of human resources from one part of the world to another has supported cultural diversity (Yaprak, 2002). With the demographic characteristics and the need for many organizations to balance their work force in terms of age distribution, gender balancing, religious orientations, tribe and race amongst others, organizations in developing and developed countries are deliberate in their policy actions towards cultural diversity

(Mor-Barak, 2005; Gorski, 2002).Thus, given these demographic and organizational factors, organizations are enjoying the benefits and confronting the challenges associated with effectively managing a culturally diverse workforce.

Cultural diversity is gaining more research interest in recent times. There are empirical evidences on previous studies with some of them contradictory. Empirically, workforce diversity is found to have a contrasting dual implication on organizational effectiveness (Ehimare and Ogaga-Oghene, 2011).

Ogbo, Kifordu and Wilfred (2014) carried out a research into the effect of workforce diversity on organizational performance of selected firms in Nigeria, with the identification of the poor policy framework, training failures and poor handling of specific goals as reflected in ineffective management of diversity in an organization. The study linked workforce diversity to customer related issues and profitability. Secondary data, interview and content analysis were used in the study with participants from selected brewing companies and a sample of 300 employees. The study concluded that workforce diversity is a modern critical success issue due to the broad based specialization.

Deshwal and Choudhary (2012) examined workforce diversity management as the biggest challenge for 21st century managers. The study employed a survey of 120 employees from various organizations in information technology, production and the fast moving consumer goods sector in India. The findings reveal that diversity can be effectively managed with the commitment of top management to create value in the organizations through the processes of selection, placement, performance management, rewards and succession planning.

Social Categorization Theory

Social categorization theory (Tajfel and Turner, 1985; Turner, 1987) explains the differences and similarities in human beings that lead to classifications or categorization. This also forms the basis for favourism of extending favours to one class or group of persons against other classes or groups based on the shared identities of the individuals in the groups. Social categorization theory emphasizes that the categorization of human being is predicated on the attributes of the people such as ethnicity, gender, age group, religion and other measures of culture. This social categorizations leads to organizations decisions and outcomes and can be a challenge for the organization in establishing sub-groups if not well managed and handled from the human resources perspective (Ehimare and Ogaga-Oghene, 2011).

One of the core fundamentals of the theory is categorization, because it is assumed that human beings use their cognition to classify and categorize other people in a social function, thereby organizing and structuring people according to the information they can get about the people and their daily encounters with them, like trying to understand why people behave in a certain way by relating it with their tribe, age group, religious orientation (Smith and Medin, 1981). Social categorization therefore can be on the premise of shared task, social roles or other social cues which identifies people as belonging to a particular social category and inferences are drawn from the categorization as it relates to group behavior, group formation and how people interact with one another. Social categorization theory relates in explaining how social categorization in an organization can be monitored and managed, such that the diversity of the members of the organization can be managed by the human resource team.

Social Identity Theory

Social identity theory posits that "people tend to classify themselves and others into various social categories, such as organizational membership, religious affiliation, gender and age cohort" (Tajfel and Turner, 1985, p. 2). This theory emphasizes the social context in the relationship between people irrespective of their hierarchy, status and power in an organization, which also drives intergroup behavior, satisfaction, emotional conflict and co-operation, depending on the social mix of people in the organizations or team (O'Reilly, Williams and Barsade, 1998).

Identification is a critical component of the social identity theory and a strong construct of organizational behavior, predicated on the basis of self-definition, attraction to an individual and the desire to emulate the other person. The qualities and attributes of an individual are desired by another in a social identity application which can lead to satisfaction on the individual basis and effectiveness on the organizational basis if the person has the right attributes and qualities required in the organisations (Bandura and Walters, 1963; Kets de Vries and Miller, 1984). Social identity theory is important and relevant for this study, in providing proper identification to a well-managed and cultural diversified workforce, where the qualities and attributes of a well identified workforce along positive perspectives will instill the same culture to all the members of the identified group and new organizational members.

Based on the literature review, the following objectives and hypotheses were developed for the study. The objectives of the study are:

1. To determine the extent to which primary dimensions of cultural diversity (ethnicity, gender and age) predicts work engagement.
2. To ascertain the extent to which secondary dimension of cultural diversity (religion, education and language) predicts work engagement.
3. To determine the extent to which tertiary dimensions of cultural diversity (beliefs, attitudes and group norms) predicts work engagement.

The hypotheses of the study are:

H_1: Primary dimensions of cultural diversity (ethnicity, gender and age) predict work engagement.

H_2: Secondary dimension of cultural diversity (religion, education and language) predict work engagement.

H_3: Tertiary dimensions of cultural diversity (beliefs, attitude and group norms) predict work engagement.

Results of the study

One hundred and ten copies of the questionnaire, representing 79.1 percent of distributed copies of questionnaire were duly completed and returned, while forty three, representing 28.1 percent of the copies of questionnaires were not returned. From the response survey, 69.1% are male, while 30.9% are female. The demographic responses also reveal that 40.9% of the respondents have 1-5 years working experience in the civil service, 41.8% have 6-10 years working experience, while 17.3% have 10 years and more in the civil service in Nigeria. Regarding the ethnic composition of the respondents, the responses revealed that 31.8% of the respondents are from south/south ethnic composition, 15.5% are from south/east, 22.7% are from south/west, 8.2% are from north/east, 5.5% are north/west, while 16.4% are from north/central.

Testing of Hypotheses

H_1: Primary dimensions of cultural diversity (ethnicity, gender and age) predict work engagement.

This hypothesis is to test the relationship between the primary dimensions of cultural diversity and work engagement. The regression analysis reveals the results of details of the relationship and adjusted coefficients.

Table no. 1.1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.955[a]	.912	.910	.37686

a. Predictors: (Constant), AGE, GENDER, ETHNICITY

Table no. 1.2. ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	156.845	3	52.282	368.113	.000[b]
	Residual	15.055	106	.142		
	Total	171.900	109			

a. Dependent Variable: WORK ENGAGEMENT
b. Predictors: (Constant), AGE, GENDER, ETHNICITY

Table no. 1.3. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.216	.133		9.129	.000
	ETHNICITY	.546	.099	.590	5.527	.000
	GENDER	.387	.097	.412	3.970	.000
	AGE	.149	.028	.166	5.223	.000

a. Dependent Variable: WORK ENGAGEMENT

The regression result shows that age, gender and ethnicity have positive relationship with work engagement in the civil service, since R = 0.955. Also, the coefficient of determination (R^2) = 0.912 shows that 91.2% of the variation of change in work engagement is caused by variation in age, gender and ethnicity, while the remaining 8.8% unexplained variation is due to other variables outside the regression model. This implies that the extent to which work engagement can be explained by age, gender and ethnicity is 91.2%. The analysis of variance table shows the Fcal 368.113 and significant at .000 which is less than 0.05 level of test. The regression model therefore can be expressed as Y = 1.216 + 0.456+0.387+0.149X, which means that for every 100% change in work engagement in the civil service, ethnicity contributes with 45.6%, gender contributes with 38.7% while age contributes with 14.9%. It can therefore be concluded that the primary dimensions of cultural diversity (ethnicity, gender and age) predicts work engagement in the civil service.

H_2: Secondary dimension of cultural diversity (religion, education and language) predict work engagement.

This hypothesis is to test the relationship between the primary dimensions of cultural diversity and work engagement. The regression analysis reveals the results of details of the relationship and adjusted coefficients.

Table no. 2.1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.934[a]	.871	.868	.45656

a. Predictors: (Constant), LANGUAGE, RELIGION, EDUCATION

Table no. 2.2. ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	149.805	3	49.935	239.560	.000[b]
1	Residual	22.095	106	.208		
	Total	171.900	109			

a. Dependent Variable: WORK ENGAGEMENT

b. Predictors: (Constant), LANGUAGE, RELIGION, EDUCATION

Table no. 2.3. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.476	.339		7.310	.000
	RELIGION	.561	.118	.319	4.751	.000
	EDUCATION	.125	.153	.110	.817	.416
	LANGUAGE	.995	.157	.762	6.321	.000

a. Dependent Variable: WORK ENGAGEMENT

The regression result shows that religion, education and language have positive relationship with work engagement in the civil service, since R = 0.934. Also, the coefficient of determination (R^2) = 0.871 shows that 87.1% of the variation of change in work engagement is caused by variation in religion, education and language, while the remaining 12.9% unexplained variation is due to other variables outside the regression model. This implies that the extent to which work engagement can be explained by religion, education and language is 87.1%. The analysis of variance table shows the Fcal 239.560 and significant at .000 which is less than 0.05 level of test. The regression model therefore can be expressed as Y = 2.476 + 0.561+0.125+0.995X, which means that for every 100% change in work engagement in the civil service, religion contributes with 56.1%, education contributes with 12.5%, while language contributes with 99.5%. It can therefore be concluded that the secondary dimensions of cultural diversity (religion, education and language) predicts work engagement in the civil service.

H_3: Tertiary dimensions of cultural diversity (beliefs, attitude and group norms) predict work engagement.

This hypothesis is to test the relationship between the primary dimensions of cultural diversity and work engagement. The regression analysis reveals the results of details of the relationship and adjusted coefficients.

Table no. 3.1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.964[a]	.930	.928	.33676

a. Predictors: (Constant), GROUP NORMS, BELIEFS, ATTITUDE

Table no. 3.2. ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	159.879	3	53.293	469.926	.000[b]
	Residual	12.021	106	.113		
	Total	171.900	109			

a. Dependent Variable: WORK ENGAGEMENT
b. Predictors: (Constant), GROUP NORMS, BELIEFS, ATTITUDE

Table no. 3.3. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.312	.153		2.042	.044
	BELIEFS	.669	.086	.565	7.755	.000
	ATTITUDE	.417	.121	.440	3.442	.001
	GROUP NORMS	.017	.143	.018	.121	.004

a. Dependent Variable: WORK ENGAGEMENT

The regression result shows that beliefs, attitude and group norms have positive relationship with work engagement in the civil service, since R = 0.964. Also, the coefficient of determination (R^2) = 0.930 shows that 93% of the variation of change in work engagement is caused by variation in beliefs, attitude and group norms, while the remaining 7% unexplained variation is due to other variables outside the regression model. This implies that the extent to which work engagement can be explained by beliefs, attitude and group norms is 93%. The analysis of variance table shows the Fcal 469.926 and significant at .000 which is less than 0.05 level of test. The regression model therefore can be expressed as Y = 0.312 + 0.669+0.417+0.017X, which means that for every 100% change in work engagement in the civil service, beliefs contributes with 66.9%, attitude contributes with 41.7%, while group norms contributes with 17%. It can therefore be concluded that the tertiary dimensions of cultural diversity (beliefs, attitude and group norms) predicts work engagement in the civil service.

Discussion

From the findings of the study, age, gender and ethnicity are predictors of work engagement. An organization with diverse age distribution in the workforce from the young, growing and ageing age distribution well spread out gives the workforce a good balance between youthfulness and experience to be engaged on the job, while the culture, values, work ethics are transferred from the older employees to the younger ones. Also, a good mix of gender distribution in the work force predicts work engagement, while male and female genders are well spread out in the organization. Where an organization tilt more towards higher male or female workers, it has certain implications for work engagement, but a good spread of gender allows for integration, communication and natural co-habitation and has a good sense of togetherness for the benefit of the organization, in terms of work ethics and engagement. Lastly, ethnicity is a predictor of work engagement such that a good blend of various ethnic composition in the workforce allows for various shades of personalities, backgrounds, cultural inclination, which makes the workforce population interesting with a sense of variety that encourages team work and work engagement.

The study concluded that language, religion and education predict work engagement. Diverse languages of the organizations members albeit with a common language allowed to be spoken officially. This shows a rich diverseness in culture and background, while each tribe can find a member or two who spokes his native dialect. Also, when an organization have members from various religious orientations gives the members the opportunity to identify and socialize with members on the basis of “faith” or religions sentiments and this has resultant effect on the work culture. Lastly, diversity in educational qualification and attainment is a predictor of work engagement such that a good spread of employees from different educational levels is vital for work engagement, to be able to cut the organization into various layer of top, middle and lower management level or skilled, semi-skilled and unskilled labor, to carry out various types of job. If the organization is filled with only employees with a certain grade of qualification, it will negatively impact on work engagement because there are certain jobs that the employees will not be able to carry out by the limitations or exigency of their training and education.

Finally, from the findings, the study concluded that beliefs, attitude and group norms predicts work engagement. The findings of this study align with previous recent research such as Ogbo and Wilfred (2014), Karmal and Ferdousi (2009), Ehimare and Ogaga-Oghene (2011) that the importance of cultural/workforce diversity on organizational performance, work ethics, customer satisfaction is very critical for the success of an organization. Also, through equal opportunities and actions against discrimination in a culturally diverse organization leads to team cohesion, organizational co-operation and integration.

Conclusions

The study concludes that cultural diversity is an important aspect of organizational culture in a globalized business environment where the war for talents is intense and competition for human resources is aided by regionalization, open market principles and an information technology driven environment. With cross-country mobility and improved efforts by countries and organizations in formulating equal opportunities for employment, selection and placement of qualified human resources, federal character principle and equal representation of tribes, culture, age, gender and religious orientation, the bar is lifted on diversity management and application in organizations.

The Nigerian civil service that runs the operational arm of the government has been brought into the sample in terms of how specific measures of cultural diversity from the primary, secondary and tertiary dimensions of cultural diversity predicts work engagement. The study reveals that the civil service is highly culturally diverse and the tenants of socialization and identification based on culture and cultural affinity with members of the civil service is very high and people will most likely continue to be drawn and stick to their cultural underlining in the workforce. The positive however is that the inclination towards the shades of cultural orientation in religion, ethnicity, education, norms and beliefs are all positively linked to work engagement and can contribute in no small measure towards the effectiveness and development of the civil service. The fundamental principle of culture in Africa is such that promotes hard work and idleness. The rich culture of Nigeria from all tongues and tribes are harmonized in the civil service through the civil service code of conduct on acceptable and non-acceptable behaviors.

The effective management of the workforce along the understanding of the diverse culture therefore comes handy in sustaining the performance and ethos of the civil service. It is recommended diversity management to be fully enshrined in the civil service to handle challenges of a diverse workforce on such as conflicts and discrimination along cultural lines. Regular orientation of workers in civil service should be carried out, to share ideas, opinion, bridge fundamental gaps that prevail typically in a highly diverse workforce. Management should put in place conditions which would enhance the workforce diversity in their organization, more especially in their strategies formulation on the diversity of the workforce, to make the organization internally and externally competitive. Finally, organizations should ensure that diversity is the norm and not the exception in relation to its human resource policies of recruitment, training, promotions, appointments, employee welfare and other aspects of administration.

For further research, it is suggested to undertake studies on cultural diversity and behavior of organizational members, with focus on counter-productive behavior and organizational citizenship behavior in private sector organizations. Future researches can expand the existing knowledge in this field by examining the role of cultural diversity on job satisfaction and motivation in organizations.

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Collateral for Business Loans: Constraints and Conflicts regarding the Indigenous Culture of Bangladesh

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Abstract
This research explores how a financing practice of the dominant society is contested in an indigenous context. Considering a traditional handloom business of indigenous women in a South Asian country, Bangladesh, this article investigates into the collateral practices in accessing bank loans. Based on an extensive literature review, it reveals that the normal practice of providing collateral places constraints for accessing loans and provides a scope for conflicts with dominant society. In so doing, it significantly extends the view beyond the issue of discrimination for the non-dominant society. The broader contribution of the paper is to underscore the impact of historical, traditional and cultural aspects on debt financing for small businesses.
Keywords: Indigenous Business-owners; Bank Loans; Collateral; Culture; Bangladesh.

Introduction

In order to launch and operate small businesses, financial capital is a crucial issue (Cassar, 2002). For accessing loans (Avery et al., 1998; Riding and Haines, 2001), specifically debt finance (Smallbone et al., 2003), a major concern is the appropriate level of collateral. While different studies (Petersen and Rajan, 1994; Berger and Udell, 1995; Avery, et al. 1998; Cruickshank, 2000) analyze the problems regarding collateral, it is evident that for acquiring business loans, employing land or other properties as collateral is a wide-spread practice. In relation to the discussion of collateral, it is implied that business-owners are required to submit the documents to prove the legal ownership of the property; then bank can consider the property as the security. Hence, providing relevant documents to place land or other property for collateral can be considered as 'normal' (Jaim and Chakma, 2013).

This assumption of normality is, however, conceived from the practice of dominant society (Jaim and Chakma, 2013). It can be contended that the perspective on this issue may be different from other parts of societies. It is already recognized that some cultural values of indigenous business-owners are not compatible with many basic assumptions of the mainstream entrepreneurship theories (Dana, 2015). Within the context of debt financing, in the case of minority groups, although the issue of discrimination is highlighted (Curran and Blackburn, 1993; Jones, et al. 1994; Blanchflower, et al., 2003; Kon and Storey, 2003; Coleman, 2004; Fraser, 2009; Kim, 2011), the role of the socio-cultural aspects of business-owners of the non-dominant society regarding is largely underexplored. The issue of collateral is particularly significant for indigenous people; it is closely related to the land ownership issue whilst they are characterized with the close link to the ancestral territory (World Bank, 2001). Therefore, it is a worthy line of inquiry concerning whether the indigenous people's social, economic and cultural institutions can challenge the basic assumptions of normality of collateral of the dominant society. Insightful findings can be also revealed by raising questions regarding whether the attempt to employ the normal practice can have any special implication for the particular cohort of business-owners.

Therefore, this paper investigates whether or how the 'normality' concerning the collateral of debt finance of the dominant society can be contested in the distinct context of indigenous people. It has already been revealed that in Bangladesh, the women from *Chakma* group (the largest tribe of the country), are confronted with collateral related problems for accessing bank loans for their prospectus businesses of traditional handloom products (Jaim, 2015). As that paper leaves the evidence of the problem without any proper explanation on the basis of the distinct way of living, considering *Chakma* women business-owners can be particularly important for contributing to the theoretical understanding on the impact of socio-cultural aspects on the debt financing process. Moreover, the heterogeneous nature among indigenous communities is already established (Dana, 2005), which indicates that investigating into under researched indigenous groups can bring to light valuable insights. For researching on entrepreneurship, whereas the western developed nations have received much attention (Bruton, et al., 2008), the socio-cultural or historical understanding of the context of Bangladesh, a South Asian region, can provide an opportunity to significantly, advance the prevailing knowledge. Therefore, this research paper aims at exploring how the normal practice of collateral in the context of indigenous people of Bangladesh is contested.

To address the research aim, the paper considers an extensive literature review. It is broadly divided into three sections. For the in-depth discussion, the first section elucidates that having collateral for loans of small businesses is a normal practice and also explains the business related aspects in relation to indigenous people. The next section discusses the historical, social or cultural features of indigenous group, specifically *Chakma group*, in Bangladesh. Building upon the discussion of the previous sections, the final section relates the collateral issues with the cultural issues to the particular indigenous group, *Chakma*. In relation to this normal practice of collateral, it discloses the constraints of these business-owners for accessing loans and hints at the conflicts with the dominant society.

Collateral for Business Loans

In order to set the background for the discussion on collateral of a particular indigenous people in Bangladesh, at first, it needs to recognize the significance of researching on indigenous business-owners in relation to finance. Specifically, taking into consideration the normal practice of collateral in the dominant society, it requires considering how the distinct aspects of the indigenous group can contribute to the existing knowledge. This section also explains collateral practices in Bangladesh.

Financing Small Businesses of Non-Dominant Society

Financial capital is regarded as one of the essential resources to launch and subsequently operate small businesses (Cassar, 2002). Any impediment regarding accessing funds results in lasting negative effects on the performance of firms (Marlow and Patton, 2005). Compared to large firms, small businesses are more dependent on loans (Brewer et al., 1996), but these firms confront more obstacles for gaining access to external finance (Storey, 1994; Holmstrom and Tirole, 1997). Whereas studies (Holmstrom and Tirole, 1997; Storey, 1994; Marlow and Patton, 2005; Moro, Mike and Grimm, 2012) have already recognized that financing small firms from credit markets is a crucial, but challenging task for the business-owners of the dominant society, others, who do not belong to that part of society, may experience the access to debt finance in different ways.

Considering the minority business-owners, few studies (Curran and Blackburn, 1993; Jones, et. al., 1994; Blanchflower, et. al., 2003; Smallbone et al. 2003; Kon and Storey, 2003; Coleman, 2004; Fraser, 2009; Kim, 2011) draw attention to the discrimination issues regarding the difference of credit outcomes, particularly in terms of denials of loans, difference of loan interest rates and discouragement across different ethnic groups. It can be contended that the extant literature on minority business-owners revolves around the issue of discrimination. Whereas the culture, history and tradition of the minority group of people is different from that of the dominant society, it is underexplored whether or how there exists any relationship of these socio-cultural aspects of minority groups with loans of their businesses. The investigation on this issue can bring to light valuable insights because what is perceived as normal regarding the financing issue for the dominant society may not be considered in the same way by the non-dominant society. In other words, the normal practice of the dominant society may have different implications on minority people due to their distinct backgrounds. Hence, regarding accessing loans, instead of entirely concentrated on the discrimination aspect, it needs to enquire into historical, traditional and cultural aspects of the people, who do not belong to the dominant society.

Indigenous people are, however, not considered as minorities (Roy, 2009). Like the ethnic minorities (Portes and Bach, 1985), indigenous people have not migrated from other areas; in general, they live in their own places generation after generation and possess their distinct socio-cultural values (Peredo et al. 2004). Nonetheless, it is recognized that they are not a part of the dominant society (Roy, 2009). A major distinguishing factor between the minority groups and the indigenous people is that although the culture, history and tradition are different for both groups from the dominant society, for indigenous people, they have the right to continue their distinct way of living. Whilst socio-cultural aspects of indigenous people are substantially different from that of the dominant society and these cultural or traditional features are co-existing with the mainstream societal aspects of the same nation for countless generations (ibid), the implication of the normal practices concerning finance of the dominant society in terms of socio-cultural or historical aspects can be more explicitly revealed for indigenous people. Delving into this topic can also provide opportunity to unveil how a group of people governed by its own culture confront issues of the dominant society, while dealing with a conventional financial institution.

While considering the specific issue of finance for the indigenous community, it is also important to note that the extremely limited number of studies on this group of people can be criticized on different grounds. The existing studies (Foley, 2008; Tapsell and Woods, 2008; Ude'n, 2008; Austin and Garnett, 2011; Maria, 2012; Fleming, et al. 2015; Spencer, et al. 2016) on indigenous people are almost solely confined to their own areas. These papers concentrate on their businesses in relation to the impact on the community, the indigenous way of production and the impact of social capital on networking. Hence, indigenous businesses are deemed as distinct ventures without considering relationships with mainstream businesses of the dominant society. It is seldom explored whether or how the business practices of the dominant society have any impact on businesses of indigenous people. Further, concerning indigenous people, while developmental aspects or other business relevant features are analyzed, specifically, finance related issues are overlooked.

In addition, the scant literature on indigenous businesses is appeared to be biased towards certain geographical areas. In general, studies (Foley, 2008; Tapsell and Woods, 2008; Dzisi, 2008; Peter and Andrew, 2008; Austin and Garnett, 2011; Glenice and Marilyn, 2011; Maria, 2012; Fleming, et al. 2015; Spencer, et al. 2016) on this group of people are concentrated on Australia and New Zealand. A few studies are conducted in other regions, for instance, Africa (Dzisi, 2012), Canada (Aldene, et al., 2012) or Sweden (Ude'n, 2008). Therefore, the diversity, complexity and richness of the indigenous community of the Asian context are largely under researched. In general, the body of entrepreneurship literature is argued to be concentrated on the developed nations, paying less attention to the other parts of the world (Bruton et al., 2008). Therefore, reflecting upon the limitations of the extant literature in this field, it can be argued that there is a potential opportunity to enrich the prevailing knowledge. Researching on conventional bank loan practices for businesses in relation to the historical, traditional or cultural aspects of indigenous people in the relatively under explored research area of a South Asian developing nation, Bangladesh, can offer distinct insights.

In brief, within the context of financing small businesses, regarding non-dominant society, the literature is almost exclusively concentrated on minority business-owners and particularly, on the discrimination issue concerning them. The cultural, historical or traditional aspects of non-dominant society on financing practices are still under researched. Moreover, regarding their access to business loans, indigenous people have not received much attention whilst their distinct culture or history may have significant impact on the financing process. Therefore, in order to analyze how the normal practice of financing businesses is related to the historical and cultural values of the indigenous people is a wealthy line of enquiry. In this regard, specifically, the collateral issue can be considered because it requires the investigation into the ownership of land or other property; historical, traditional or cultural values of indigenous people can have profound impact on the legal system concerning the ownership of property, as their life is mostly governed by informal institutions (Schendel, 1992).

Collateral for Small Business Loans

Bank loans are deemed as a key source of financing small businesses (Binks and Ennew, 1996; Cole, et al., 1996; Cruickshank, 2000). For securing debt finance, placing collateral is revealed as a widely recognized practice (Avery, et al., 1998; Cruickshank, 2000; Riding and Haines, 2001; Smallbone et al., 2003). Nonetheless, the recognition of this conventional practice is considered from the perspective of the dominant society. The implication of the collateral practice is yet to explore in the context of a non-dominant society or specifically, the indigenous group of people.

A number of problems have been already identified in relation to collateral in the dominant society. Literature mostly addresses the hindrance in gaining access to debt finance due to the inadequate level of security (Avery, et al., 1998; Cruickshank, 2000; Riding and Haines, 2001; Smallbone et al., 2003). Studies in relation to collateral further concentrate on the bank and firm relationship (Berger and Udell, 1995; Petersen and Rajan, 1994), as well as the size and age of firms (Avery, et al., 1998). Nevertheless, particularly while focusing on minority business-owners, collateral emerge as an important issue. For instance, in 1999, the report of Bank of England reveals that the lack of collateral is one reason for the difficulty of raising funds, particularly for the Black Caribbean and Bangladeshi business-owners. Although the problems associated with collateral have been addressed in the extant literature, the cultural, historical or traditional aspects have not been paid with proper attention.

In order to draw the relationships of historical, traditional or cultural aspects with the collateral issue, it needs to afford greater attention to the process. It can be easily grasped that when banks provide loans to business-owners, as a security land or other properties are placed through mortgage. In case of failure of repaying loans, banks can sell the properties and retain the amount of the loans. In general, this is the purpose of having the collateral of business loans. This also implies that to operate this practice, it requires property related legal documents that are acceptable in the wider society. While placing collateral, business-owners have to comply with conventional rules to present the evidence of ownership and possession of the property, as well as to follow regulations of mortgage. Although it is a normal practice, questions can be raised regarding the complication of the process if the business-owner is not from the dominant society, having property in an area that is governed by the culture different from the mainstream society.

In sum, concerning the collateral of business loans, researchers have analyzed the inadequacy of collateral or the characteristics of firms for the eligibility to acquire loans. Again, regarding providing collateral, cultural aspects of business-owners have not received proper attention. Therefore, because of the unique culture of indigenous community, it requires an exploration of how this common practice of collateral is applied in the context of indigenous business-owners, whereas research on this particular group of people regarding financing businesses is currently underexplored. In so doing, before concentrating on the specific indigenous people, for a good understanding, an overview on the general practice of collateral for business loans in Bangladesh is presented in the next section.

Collateral for Small Business Loans in Bangladesh

Like other countries, in Bangladesh there is also a practice of having collateral for providing bank loans to small business-owners (Jaim and Arefin, 2007; Jaim, 2011). It is also considered as a normal practice to submit necessary legal documents of the property for the purpose of collateral (ibid). In this regard, it is worth noting that in the Government Industrial Policy 2005, small and medium enterprises sector is declared as the priority issue considering its economic prospect. Bangladesh Bank, the central bank of the country, is taking different initiatives to support this sector (Afzal, 2012). While there is an emphasis on flourishing the sector through debt financing, it needs to pay attention to collateral related aspects that are associated with many problems (Jaim, 2011).

In general, the importance of documents for accessing bank loans for small businesses are recognized in the literature (Jaim and Arefin, 2007; Jaim, 2011). Regarding jolting down the debt finance process, Jaim and Arefin (2007) mention that while approaching banks to express the interest for applying a loan, a business-owner will have to provide all necessary documents of collateral. At this stage, the officers consider the scrutiny of collateral related documents by legal advisors to let the business-owner proceed for the application. After the success of the loans application, when the decision of the fund sanctioning is made, the business-owner will have to go for the mortgage of the property. Then the loan is sanctioned and the amount of money is disbursed to the account of the business-owner. The discussion leads to conclude that the documents play significant roles from the very beginning of the process.

Jaim (2011) further reveals that the collection and preparation of documents is considered the most cumbersome problem of the loan undertaking process. A more precise account regarding documents of collateral is found in this study. Bia Deed, CS (Cadastral Survey), RS (River Survey), NOC (No Objection Certificate), NEC (No Encumbrance Certificate), land revenue receipt, approved plan of building and so on are the documents related to collateral. Therefore, it is evident that for acquiring loans, it is crucial to maintain different documents regarding collateral.

It can be concluded that there are studies regarding collateral for business loans from the context of the dominant society of Bangladesh, but researchers have not concentrated from the perspective of indigenous people. To have an understanding of the collateral related issue of the indigenous people, the next section discusses on the context of this cohort of Bangladeshi people.

Indigenous People of Bangladesh and their Land Related Laws

Whilst the previous section concentrates on finance related issues, this section explains the historical, traditional and cultural aspects of indigenous people in order to set the stage to discussion on the implications of the normal practice of collateral in indigenous context. After introducing the particular indigenous community of the specific area, this section presents the emergence of legal aspects of land-ownership in the Indian Sub-continent to explain the practices of the dominant society. Then, the practices for the particular indigenous group are elucidated to illustrate the distinctiveness compared to that of dominant society.

Indigenous People and their Handloom Businesses in Rangamati

While discussing the collateral related issues of the indigenous people of the specific area, there might be several questions: Suddenly why are the problems for the loans of handloom businesses getting attention? Why are the businesses of the indigenous people appearing to be so promising recently? To address these questions, we need to know the background of the indigenous people of the country. Nevertheless, prior to the description of the indigenous people of the particular area of the country, Rangamati, it requires clarification of the term – ‘indigenous’ to have an understanding of how these groups of people are different from that of dominant societies.

The term ‘indigenous’ has no universally accepted definition (Roy, 2009). The ILO Convention No. 107 provides some criteria in terms of the subjective and objective nature of the term for identifying indigenous people. These criteria regarding indigenous people indicate that ‘their pattern of living’ is mostly regulated ‘by social, economic and cultural institutions of historical ancestral groups that they have inherited,’ rather than by the existing contemporary institutions of dominant communities of the concerned country (Roy, 2009). In Bangladesh, thirteen different tribes, having different cultures, languages and religions, live in Chittagong Hill Tracts (CHT) (Mohsin, 2002). Given the nature of the research, this paper concentrates on Chakma, the single largest tribe of Bangladesh (ibid), who mostly live in Rangamati of CHT (Chakma, 2012).

Rangamati has become a popular tourist spot after 1997 (Chakma, 2012). It is important to note that there were nearly twenty-five years of political unrest and even a guerrilla war between 'Bangalis' (the people of the dominant society) and the indigenous people in CHT (Roy, 2009). Therefore, Bangalis did not get access to a part of CHT that includes a part of Rangamati (Chakma, 2012). In 1997, there was a peace accord to settle the situation (Roy, 2009) and hence, it provided the opportunity to the Bangalis to visit some of the restricted areas, bestowed with natural beauty (Chakma, 2012).

Consequently, in the tourist spots, selling the traditional products, like handloom, has become a potential source of earnings for the local Chakma people (Chakma, 2012). The handloom sector of the Indian Subcontinent has its glorious history from the ancient period. Still the tradition of manually weaving cloth is regarded as one of the richest attributes of the culture and heritage of Bangladesh. The demand of handloom products in Rangamati is not limited to the national market. Therefore, an extensive scale of production is generated from different textile factories in Rangamati. Nevertheless, compared to cloths of textile factories, manually weaved cloths (locally called 'bian') are more expensive because of the quality of cloth, the diversity in design and above all, the reflection of the traditional significance because of the way of production (ibid). It should be noted that with back-strap handloom, in general, women produce traditional dresses (pinon-khadi). Retailers collect the dresses from the business-owners to resell those in the tourist spots. As mentioned earlier, after 1997, after the peace accord, due to the high demand from the tourists, there has been a boom of the business of back-strap handloom products and hence, the women are interested in acquiring bank loans to expand their promising businesses (ibid).

The study of Jaim (2015) is particularly important to consider in relation to the debt financing issue of *Chakma* women's businesses. This research demonstrates that for accessing loans to meet the requirement of the working capital, women rely mostly on NGOs.

According to the women business-owners, the least preferred source of loans is the bank whereas it is the most commonly used one in the country. In this regard, a potential question can be posed regarding the issue that discourages women to access to bank loans. From the accounts of the indigenous group of people it is revealed that there is a difficulty regarding placing collateral related documents due to their social or cultural norms (ibid). As a point of clarification, indigenous women will have to collect loan individually for their small businesses rather than collectively which is the case for micro-credit. Nevertheless, in that article, no in-depth explanation is provided concerning the problem of collateral. To understand the relevance of socio-cultural norms of the indigenous people concerning documentation of property, in the next section, there is a discussion on the emergence of documentation or property rights in the Indian sub-continent and the way of using land as collateral.

Land Ownership and usage of Land as Collateral in the Indian Sub-Continent: A Historical Perspective

The emergence of the documentation of property of the Indian Sub-continent is rooted in the British Colonial history (Swamy, 2010). Although the East India Company started its operation in the Indian subcontinent for the trading purpose, in 1757, it laid its political foundation by winning the Battle of Plassey of Bengal. Initially, there were some client rulers, but in 1757, the company formally acquired the authority. For the East India Company, the first territory of India that came under direct rule was Bengal (comprising present Bangladesh). Gradually the company conquered different regions of India. Consequently, it raised the crucial question regarding collection of land taxes, the fundamental source of government revenue. Nevertheless, taxation is inseparably linked to the ‘ownership’ of land as well as the complete structure of land rights. As a result, the company formed or adapted legal systems to adjudicate the disputes regarding land right interventions (ibid).

The land tenure arrangement had also a profound impact on credit markets (Swamy, 2010). It was relevant to the degree of security and transferability of land ownership, usage of land as collateral, way of seizing land in case of defaulting repayment of debt or other contractual commitments (ibid). However, although at present, it has been argued that the land transfer was not an innovation of the colonial period

(Guha, 1985), it is widely accepted that in the colonial period, institutional modifications provided scopes for employing land as collateral in order to maintain debt obligations (Swamy, 2010). Primarily, due to the systematic formation of a documented individual property right, this collateral practice was executed (ibid).

To sum-up, the historical perspective demonstrates that the evidence of land ownership was institutionalized in the colonial period. Furthermore, placing land as collateral with documents was a common practice in the Indian subcontinent.

Laws of Indigenous People and Land-Related Laws of Chakma in Rangamati

The land-related laws of Chakma in Rangamati are different from the plain land. To support this statement, a brief discussion is presented regarding the laws of indigenous people across the country to explain their land ownership rights. Against this background, the specific tribal group of Chakma in the particular region is taken into consideration.

In light of the historical perspective, it is evident that in general, during the British Colonial period, the rules concerning the indigenous people were substantially different from that of the dominant society (Roy, 2009). These were responsive to the local culture. By the mid-1760s, most of the plain land of Bangladesh became part of the territory of British East India Company. However, from the initial period of the British rule in South Asia, there were special constitutional dispensations in the areas of indigenous people as the laws employed in other areas were considered to be too complicated to be applied in these areas. Under the Government of India Act (1915), CHT was considered as a 'backward track' and later on (Government of India Act, 1935), as an 'excluded area'. This area was almost exclusively for tribal inhabitants where the administrative feature was unique and general laws and regulations were occasionally applied (ibid).

After the partition of India, Bangladesh was the part of Pakistan and in the first constitution of Pakistan (1956, Constitution of Pakistan), CHT was retained with its status as 'excluded area' (Roy, et al., 2010). In 1962 Constitution of Pakistan, this area was re-designated as 'tribal area'. In 1971, after the independence of Bangladesh from Pakistan, the excluded area status was not revived properly (ibid). Besides, due to the transfer of Bengali-speaking people to the hilly areas, there was a long-standing dispute regarding the land possession between hilly people and Bengali people. Consequently, for protecting the rights of the indigenous people, there was an unrest in CHT before the peace accord was signed in 1997 (Roy, 2009). After the peace accord, the CHT Regional Act, 1998 emerged (Act XXII of 1998) that established the provision of a regional council, consisting of tribal people along with some Bengali people. This council has supervisory and coordinating authority over administrative, as well as developmental issues. It can be concluded that although there were several changes over time, the customary laws still dominate the indigenous society.

More specifically, in Rangamati, there is also a system of council. It is explicitly mentioned in the act (Act No. XIX of 1989) that whatever the laws regarding the land, without the consent of the council there should not be any purchasing, selling, leasing and such other activities of any property. Not even the government can seize any land, hilly area or forest area without the discussion and approval of the council. The council can also regulate the activities of the surveyor and assistant commissioner of land. Furthermore, the council is responsible for the tax from the land although the existing laws of the country are different. Therefore, regarding the land related issue, indigenous culture plays a crucial role irrespective of the laws in the other parts of the country.

From the discussion, it is apparent that CHT is considered differently for legislative purposes. Nevertheless, at present, there is an impact of the dominant society in practicing the distinct way of living whereby the indigenous people struggled to protect their own rights in different occasions.

Collateral for the Handloom Business of *Chakma* Women

From the discussion concerning collateral for business loans, it is evident that providing documents for collateral is a normal practice in the context of debt finance. The underlying assumption of this common practice (having legal property documents) in Bangladesh has its rational grounds in the emergence of land ownership rights in Indian Sub-continent (Swamy, 2010). Nevertheless, the indigenous people are governed by customary laws where the land ownership is not maintained in a conventional way (Roy, 2009). The discussion and debate of the previous sections, thus, indicate potential contradictions while applying the normal practice of collateral for indigenous business-owners.

While considering the context of indigenous society, this study advances the prevailing knowledge on how the lack of documentation puts obstacles in gaining access to debt finance for business-owners. A previous study (Jaim, 2015) reveals the problems of Chakma women for providing documents of collateral in accessing bank loans for their businesses of traditional handloom products. Even though they possess land, they do not have any document of the property. In this regard, it should be noted that there is a way to have documents formally for *Chakma* people but the women business-owners do not consider it worthy to go through the process for taking bank loans for their businesses (ibid). The scenario clearly suggests that it is not the problem of inadequacy of collateral which is widely examined regarding business-owners in the extant literature (Avery, et al., 1998; Cruickshank, 2000; Riding and Haines, 2001; Smallbone et al., 2003). It is an issue of providing the proof of ownership by presenting documents to the banks. Thus, this paper extends the view regarding the problems of collateral from its well recognized issue of inadequacy of the property to a different aspect, related to the lack of documentation of the land.

In order to comprehend the understanding on collateral in relation to the absence of documentation of land, it requires further explanation regarding the impact of customary laws on property ownership. In the dominant society, although documents are essential to prove the ownership of the land, for *Chakama*, such proof is not required. The indigenous society is considered as simple where people live by trusting each other (Chakma, 2012). They do not need to provide any document to prove their ownership of the property. If there is any dispute, it is generally resolved by local leaders (ibid). Within the indigenous society, although the women do not need to maintain any property document, while approaching banks for loans, they face problems for the lack of documentation (Jaim, 2015). The discussion on the impact of customary laws on the property ownership, thus, challenges the rhetoric of normality concerning the document possession in relation to the collateral for the debt financing process.

The study further contributes to the understanding on how the normal practice of collateral of the dominant society can be translated in an indigenous context whereas the extant literature on indigenous entrepreneurship hardly investigates the business practices of dominant society on this cohort of people. In order to provide precise insights on this aspect, the definition of the indigenous people can be particularly helpful to consider. As per the definition of indigenous people, there is an emphasis on social institutions, cultural patterns and legal systems that are inherited from the historical ancestral groups. Moreover, their pattern of living is not regulated by the contemporary institutions of dominant communities. It is reflected in the report on Discrimination against Indigenous People, Jose Martinez Cobo (as cited by Roy, 2009).

Indigenous communities, people and nations are those forming at present the non-dominant sectors of the society and are determined to preserve, develop and transmit to future generations their ancestral territories, and their ethnic identity, as the basis of their continued existence as peoples, in accordance with their own cultural patterns, social institutions and legal systems (Roy, 2009).

In light of this definition, it can be argued that while asking for the documents of the ownership of property, it attempts to disrupt the historical continuity in relation to their land ownership rights. In addition, whereas the concern regarding transmitting their ancestral territories and following that through their respective culture, the social institutions as well as the legal set up is well established, preparing documents for land ownership through the conventional process can be argued to be considered negatively. Whereas the Chakma people are not supposed to prepare documents in the conventional way, the question of legal documents of collateral poses complications for the women business-owners. Thus, it contributes to our understanding on how normal practices of the dominant society can set obstacles for indigenous business-owners due to their cultural, historical or traditional values.

While exploring the influence of normal financing process of the dominant society in the indigenous society, the research further provides valuable insights regarding how an informally governed society can be perceived to be regulated through the financial institutions of the country. While customary laws are practiced in the concerned society in such a way that the government will have to comply with the customary laws regarding land, in banks, there is no scope to have documents from the local authority. The scenario eventually leaves the scope to consider a way of discrimination towards the indigenous people by banks. It can also be argued that the normal practice of collateral of the dominant society can be considered as the mechanism of control of the indigenous group. The reason is that the conflict of this group with the Bengali people is not a new phenomenon. This collateral issue is imposing the legal framework of the dominant society on the indigenous people by the requirement to comply with the conventional documents for the bank loans.

The discussion leads to conclude that the normal practice of placing collateral of the dominant society cannot be readily applicable to the indigenous context. *Chakma* women have constraints of placing collateral to secure bank loans for their promising businesses of handloom products whilst the obstacles are not associated with the inadequate level of property, but with the lack of conventional documents of the property. The issue of lack of documentation is deeply rooted into the historical, cultural and social aspects of indigenous society and hence, these features challenge the fundamental assumption of document possession regarding collateral for business loans. Further, the implications of such practices in the indigenous society are important to consider. Asking for the property documents might be perceived in a negative manner by the indigenous people particularly given the political conflicts with the people of dominant society. Besides, a conflicting scenario can be inferred from here as banks tend to impose the legal framework of the dominant society on the concerned indigenous people. It contributes to the prevailing knowledge concerning the discrimination of banks towards indigenous people based on their distinct way of living.

Conclusion

The overarching contribution of the paper is to bring to light how the normality of the collateral for small businesses is contested in the context of indigenous culture. In so doing, it extends the view on debt financing of non-dominant society from the perspective of indigenous people, whilst the extant literature on this area is mostly concentrated on minority groups (Curran and Blackburn, 1993; Jones, et. al., 1994; Blanchflower, et. al., 2003; Smallbone et al. 2003; Kon and Storey, 2003; Coleman, 2004; Fraser, 2009; Kim, 2011). Moreover, recognizing differences from dominant societies, these studies on financing small businesses concentrate on discriminatory issues, but the history, tradition or culture of the people, different from that of the dominant group, has not received proper attention. Rather than revolving around the issue of discrimination of the non-dominant community, this article explores and establishes the significance of cultural, historical and traditional aspects on the bank lending process for an indigenous context. It eventually contributes to the understanding of the impact of socio-cultural aspects on the debt financing process, in general. In addition, the research extends the knowledge of indigenous people of a comparatively under-explored area, i.e. the South Asian context.

The research establishes that within the context of debt financing, what is considered as ‘normal’ in the dominant society, can be revealed as ‘abnormal’ for indigenous society on the basis of the historical, traditional and cultural aspects. Asking for relevant documents of the property is a normal practice for collateral of business loans in the dominant society, whilst possessing documents of the property by the owners is also considered as normal. Nonetheless, for the indigenous people, where the society is mostly governed by the customary norms, possessing the documents of the property is non-existent and hence, the question of presenting the documents for collateral is atypical. Thus, the normal practice of debt financing practice of the dominant society is contested in the indigenous society. The paper unveils that due to the non-conformity, rooted in the historical, traditional or cultural issues, the indigenous women can be in a disadvantaged position for securing bank loans.

Furthermore, along with elucidating the constraints for accessing debt finance, this research provides hints of how banks can be engaged in the conflicting issues of the dominant society with the indigenous group. Employing the normal practice of collateral in the indigenous society can be inferred as a control mechanism of this politically vulnerable group of people. Thus, the study contributes to the existing knowledge not only on the discrimination of banks regarding the indigenous people, but also on the way the group is a subject of regulation by the dominant society. In other words, for an indigenous community, within the context of the collateral aspect, this paper clearly articulates the constraints of accessing loans and hints at conflicts with the dominant society.

The paper further has policy practice implications. Even though the *Chakma* women have adequate level of property, because of the lack of documents, they cannot gain bank loans. Consequently, the promising sector of this small business is obstructed. Whereas the small business sector is considered with due importance for the economic development, banks can pay attention to the cultural and historical perspective of indigenous women. It might provide opportunity to remove the barriers of the collateral by accepting the practice of land ownership according to the customary laws and this potential business sector can be flourished. It eventually highlights the importance of taking into account cultural and historical features of indigenous society in debt financing process for the economic development of the country.

The paper is not without limitations. Although this literature review based research provides an enriched explanation regarding the constraint of the indigenous women business-owners in placing collateral, no empirical evidence is presented to support the issue. In relation to the bank loans process, the indication of the conflict of this indigenous group with the dominant society is rationally derived but cannot be made certain as it is not concluded with the accounts of the concerned people. Nevertheless, with a rigorous literature review, this article provides a strong platform to conduct a qualitative research to investigate the constraints and conflicts of indigenous people in terms of the collateral aspect. This research calls to future scholars to explore into this intriguing area with the empirical evidence.

In sum, this paper starts an interesting debate around employing the normal practices of finance of dominant society in the indigenous society and enlightens the relationships of historical, traditional and cultural aspects with the debt financing process. Building upon this research, future studies can be benefitted by investigating into socio-cultural and historical features in relation to diversified aspects of businesses in the context of different indigenous societies of the world.

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Understanding Church Growth through Church Marketing: An Analysis on the Roman Catholic Church's Marketing Efforts in Ghana

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Abstract
Dwindling church membership coupled with the pressing need for raising resources have made it essential for churches to understand the laity's expectations about religious organizations and act upon them. For good or bad, there is an increasing influx of marketing philosophies and principles into the churches' everyday practices. This paper reviews the extant literature on church marketing and highlights opportunities for market oriented managerial actions for church growth. Challenges in adapting the marketing concept to the promotion of faith and the sale of religious objects are identified. Finally, a brief case study of the marketing activities of the Catholic Church in Ghana is provided.
Keywords: Church marketing; market orientation; consumer behavior; social marketing; Catholic Church; Ghana.

Introduction

The term Church came from the Greek word called “Ekklesia" meaning any assembly. The concept of ‘church’ as an assembly is defined by Fagunwa (2015): it is the gathering of local believers or local bodies of believers within a common assembly or the universal bodies or groups of all believers. According to this author, Jesus Christ is the first person to have used this term in the New Testament. It is recognized as an association with other members or believers. In the New Testament, the church was used to represent a covenant community of members or groups whose mandate is to edify one another within the community.

Church management in recent times has seen tremendous application of marketing principles, theories and frameworks (Kuzma, Kuzma, Kuzma, 2009). A study by Adebayo (2015) indicated that many churches most especially the evangelical and Pentecostal traditions have developed an intention of becoming mega churches as well as global brands and so have adopted elaborate marketing strategies, framework and tools. The overall indication is that these marketing tools and frameworks are developed through social marketing principles.

Church marketing is ideally placed as a sub-domain of social marketing. According to Fjeldsoe, Marshall and Miller (2009), social marketing is regarded as an intervention designed to behavioral change with the purpose of improving the personal, social and economic well-being of people. Similarly, Kotler and Armstrong (2010) defined the concept as the adoption of commercial marketing principles, concept, theories and instruments in designing appropriate programme that has the capacity of influencing the behavior of people and improving their social well-being for societal development. The concept is also considered as the use of systematic marketing procedures and application of chronological traditional marketing principles, theories and models, with the purpose of bringing desired benefits onto people (Kotler and Lee, 2008).

In the light of the above, a formal definition for church marketing could be that it is the application of social marketing principles by which individuals and groups through the word of God are converted and as well as goods and services provided to these converts in order to help strengthen their faith to remain in Christ Jesus. The provision of the goods and service to the new converts is not the ultimate goal, but to help meet the needs of these people so that they can remain with the church and Christ.

This paper subjects some of the key marketing driven growth practices of churches, especially the Roman Catholic Church, to the relevant theoretical frameworks provided in the marketing literature, with the objective of knitting together a theory of Church marketing. Essential literature on consumer behavior, market orientation, social marketing, were brought into better understand issues and challenges in Church marketing. The discussion is contextualized by means of a case study of the marketing practiced employed by the Catholic Church.

Theoretical Background

Religion is an important part of day-to-day life that affects the way consumers behave and take decisions. There is need for churches to understand the choices and decisions patterns of believers and unbelievers in order to present the gospel to meet their needs. The consumer of a religious product doesn't make decisions in a vacuum. Many factors come into play in settling on a particular product or service. How people make choices should underpin the religious decision making model as well. The objective is to provide believers an alternative framework upon which they can willingly accept the gospel to become part of the body of Christ.

According to Arli and Pekerti (2016), consumers of faith related products use as screen evaluation framework to make choices: the choice made by the consumer is regarded as the best screen out of a myriad of alternatives. The decision model follows the traditionally established order of need recognition, information search, evaluating alternatives, making a decision, and post purchase behavior. Understanding the decision making process should help the Churches orient themselves to the market need.

Market Orientation

The concept of marketing orientation emerged in the mid 1950's (American Management Association). According to Hart (2003), marketing orientation found its roots in the marketing concept which posits that business entities should always have the needs of the customer in mind. At the very heart of the concept is the notion of customer focus of which customer sensing and customer satisfaction are at the bedrock. Looking for what the customer needs and satisfying those needs are of importance here. As the marketing concept became a focal point of marketing thought, marketing orientation came to be known as the execution of the marketing concept (Lafferty and Hult, 2001).

Riley (2012), was of the opinion that a marketing oriented approach should react to what customers want and not what a business feels is right for the customers. Adebayo (2015) further stated that when it comes to market orientation, it is vital that marketers conduct a thorough research to discover the needs and wants of customers in order to develop products and services that meet the increasing needs and wants of customers at all time. The idea here is to satisfy the needs of the customer with the right products and not rather seeking out customers to purchase products the firm simply produces. For an organization to succeed, it must outdo its "competitors in creating, delivering and communicating customer values to its chosen target markets" (Kotler and Keller, 2015, p.23).

The theory provides the framework for church growth. It shows how churches can package the word of God which is unadulterated to meet the needs of the people in fulfilling the great commission. The preaching or word evangelism should put the person considered as unbeliever at the center stage and present the word as was preached by Jesus to meet the needs of the unbeliever. Spreading of the "good news" regarded as the word of God should capture the needs, expectation and aspiration of the present generation in order to win such souls for Christ Jesus. In view of this, the theory provides the foundation for fulfilling the great commission taking into consideration the needs of the present generation.

Social Marketing

The individual and societal good is another central focus of social marketing besides profit maximization. Social marketing is of the view "that an organization exists not only to satisfy customer wants and needs and to meet organizational objectives, but also to preserve or enhance individuals' and society's long term best interests" (Lamb, Hair and McDaniel, 2012, p.21). Kotler (2015) posited that the theory utilizes social and ethical considerations within the frames of marketing to ensure a balance among conflicting variables such as profits maximization, satisfaction of consumer wants and public interest. It is therefore meant to make marketing morally, socially and ethically responsible (Adebayo, 2015). It signifies a movement of marketing outside the domain of economics, adapting and applying marketing models, skills and tools to nonprofit and social organizations (Angheluta, Strambu-Dima and Zaharia, 2009). Earlier studies have considered social marketing as the origin of religious marketing (Abreu, 2006).

The theory expounds on the need of using marketing tools adequately in meeting the interest of the public, socially, morally and religiously. Therefore, it is vital that churches develop strategies that ensure the social, moral and religious interest of the public, in order to guarantee the appropriate spreading of the gospel to meet the needs of people and to win souls for Christ. This therefore is a critical indication of church growth principle in fulfilling the great commission. The theory is relevant and appropriate for the study, because it establishes the basis necessary to understand the public interests to provide the 'good news' that is morally sound, religiously acceptable and spiritual to the general development of the society.

Empirical Studies on Church Marketing

A study conducted by Appiah, Dwomoh and Asare-Kyire (2013) shows significant positive association between church promotion and church attendance growth. The study found that 'Radio PR' was found to exert greater influence on church attendance growth in Ghana. Sherman and Devlin (2001) examined the issue of strategic planning in marketing among the clergy in England. The result from the clergy was unfavorable with regard to marketing planning techniques or methods and church growth. However, the study found some management and marketing principles used most often by these clergies in their respective churches. Although, respondents were adamant regarding the use of marketing planning tools and techniques, it appears majority use marketing principles and management practice unconsciously.

Dhliwayo (2013) examined how promotion marketing strategies influence growth of churches in Zimbabwe. The study argued that recent development in management has changed the focus of non-profit making organizations of which the church is no exception. It was indicated that churches currently have taken the business approaches of management of which promotion techniques have become their focal point of church management. In view of this, the study examined the effect of promotional strategies such as advertisement, personal selling, face to face church service selling, invitation of friends and relatives, miracle service, communion service and many more on church growth among Pentecostal churches. The study also examined the perception of people towards the church services performed by African Pentecostal congregations. Using the purposive and convenience sampling techniques, the study sampled six Pentecostal churches and 140 respondents across these churches.

Through the quantitative approach the study utilized cross sectional descriptive research design to obtain relevant information from the sampled respondents. The study found complete acceptance of promotion strategies as effective instrument for church growth. The result also shows that promotional strategies or elements have different effect on church growth; however, the combination of the elements has stronger impact on church growth. The study concluded that it is vital that church leaders, pastors and service coordinators develop their skills and become more marketing oriented in order to apply marketing principles and tools in meeting the increasing needs of church and individual members of the congregation.

A study by Siegel and Scrimshaw (2002) examined how consumer perception theories influence church growth. The study using quantitative research approach tested some perception theories and its impact on church growth from the perspective of 30 reverend ministers and 170 church members with the traditional orthodox churches. The study found that one of the critical reasons why members attend church is to benefit from the worship activities of the church. These worship activities included sharing the word of God, intercessory prayers and individual prayers. It was discovered that these worship activities help church members gain spiritual satisfaction through mutual relationship leading to growth of church. The result further indicated that worship activities are motivated by two drives in the church, including spiritual and social drives regarded as intrinsic motivation and extrinsic motivation respectively.

Although a number of studies have examined market promotional strategies as well as market centered approaches in nonprofit organizations including the church, the most recent one was conducted by Hoyle (2002). The study using the mixed research method obtained information from leaders and pastors of some sampled churches in Zimbabwe. The finding shows that promotional strategic budget has become part of church growth agenda by churches which is underpinned by a number of outreach posters and PA systems.

It was found that this covers electronic means, social media, bill boards, giant screens, fliers, car stickers, free distribution of bible, church invitation cards, free gifts, literature and books, as well as church directories. The study posited that it is therefore important that marketing function is integrated into all aspects of church organization so that critical efforts are centralized to ensure effective attainment of winning people for Christ and growing the church. The promotion strategies discovered by the study included newspapers, television and radio adverts and programs.

The concept of marketing and communication has become vital concept in church programs, practice and activities. According to Adebayo (2015) it is clear that there is a positive link between church practice and marketing activities. The author argued that the attachment between people and religion is the same as the attachment between people and brand. Adebayo (2015) examined how marketing principles are transferred into the church and church growth. The study further investigated the ways in which marketing core values are interconnected to the church, as well as social values. The study adopted the qualitative approach to interview 8 respondents and 10-12 focus group discussion. The study found that the mandate of the church in fulfilling its social values is shrouded by a lot of marketing principles and strategies. The study found marketing components in the planning of church activities and programs. This clearly indicates that marking strategies form part of church program planning, directing and implementation.

Conrad (2008) conducted a study to examine how the church can be promoted through the use of modern marketing instruments. The author argued that communication would suffer in church promotion or in any organization without good marketing. The study through the qualitative research interviewed 12 respondents who were pastors and leaders of churches. The study found that marketing is a vital component of church growth and promotion. It was established that marketing and promotional strategies are effective ways of fulfilling the great commission. The study recommended appropriate communication plan for marketing local churches. Finally, the indication was that marketing has a greater benefit for the church and is truly biblical.

A study was conducted by Mangwana (2009) aimed at designing an appropriate training program for promoting the growth of Ebenezer

Baptist Church, New Brighton, Port Elizabeth based on the Schwarz model of a healthy church. The study further examined the perception of pastors and church members with regard to challenges towards effective church growth and development. It also investigated the feature that underscores a healthy church and the principles needed to build a healthy church. The study adopted Schwarz's eight quality characteristics of a healthy church as well as some literature on church growth strategies. The study using the qualitative and quantitative research approach discovered that training programs developed using the Schwarz's model of a healthy church was effective in building church members, winning more souls and growing the church. The study concluded therefore that training programs targeted at church growth are very significant in developing the required desires of people and meeting their needs as well as towards the social economic development of the church.

Common Church Marketing Practices

Literature has indicated a number of strategies, methods and instruments considered as church marketing frameworks used in spreading the gospel message and growing churches. These practices include:

Advertisement Through the Use of Media

Advert is regarded as the act of making products and services known to people through non-personal face to face encounter by a sponsor of which payment is made to that effect (Berkman and Gilson, 1987). Advertisement is a vital tool for most businesses, especially for introducing new products or services to the public. According to Adebayo (2015) advertising can be highly effective for church organizations when the organizations have limited base of committed members of which the church can rely upon.

It is therefore important that promotional strategies are done through the media, or word of mouth or invitation of friends for church activities when the church has a significant pool of members it can capitalize on. In this vein, Adebayo (2015) argued that media adverts are very effective in the area of church growth and development.

The Use of Posters, Billboards and Banners

The study by Belch & Belch (2005) shows that outdoor advert using posters, bill boards and banners plays significant role in selling and exposing the opportunities of the church to the outside world. Based on the number of people passing where the board, poster or the banner is located, many people are attracted to read the advert which influences how they perceive the church. Belch & Belch (2005) also indicated that the effectiveness and success of bill boards, banners and posters is dependent on the amount or number of traffic within the location of these advert indicators.

The stronger the traffic that passes by these advert indicators the more success the church is prone to attain and the lesser the traffic the lower the success of the advert on influencing people. A study by Jefkins (1995) shows that in Kwazulu-Natal many churches have adopted posters, bill boards and banners as a means of reaching out to people on the road. These have been located around high traffic areas of the town, as well as areas of strong pass ways, in order to expose their church messages, programs and others to people.

The Use of Platform, Transit and Terminal Posters

According Belch & Belch (2005), the use of platform, transit and terminal posters have become one of the common means of church marketing strategies for most people in both developed and developing regions. These forms of adverts which include pasting on cars, transport buses, washrooms and other areas where people are found are means of bringing church programs and activities closer to these people. Belch & Belch (2005) argued that these adverts have a strong message exposure and impact on people. However, the authors posited that frequency of the exposure of these adverts have the propensity of influencing others. The more people come into contact with and read, the more the message sticks into their minds. It is regarded as an effective strategy in sinking the church's message in the minds of people.

The Use of Personal Selling

Krepapa, Berthon, Webb and Pitt (2003) postulated that personal selling is one of the common marketing promotional strategies suitable for unsought product and services where the needs of customers are not even familiar to the customers themselves. Unlike advertisement, personal selling goes beyond the details determined by the personal seller or marketer in the process of selling. It provides more in-depth and clearer information as compared to advert. In personal selling, the customer has the opportunity of asking more questions in order for the marketer to fully convince him on the need for the product or service.

The proactive churches of today have adopted the practice where people are trained purposely for face to face presentation, as well as one on one teaching with the sole aim of converting people to their church (Krepapa, Berthon, Webb and Pitt, 2003). This according to Webb, Webster and Krepapa (2000) has made these proactive churches adopt customer-defined market orientation in such face to face presentation, to convince people about their church and the need for them to attend their church.

The Use of Greeters and Ushers

In marketing, most greeters and usher strategies are created to warmly make customers comfortable in buying or purchasing a product. According to Kotler (2003) the marketing gathering through these strategies provides a suitable environment that welcome customers, provide them with proper direction, proper sitting position and provide them the necessary materials required to make customers feel at home. In the frame of marketing management, providing customers with the required attention and helping them to feel comfortable is a sure way of winning customers to become committed and loyal to the marketer. This according to Kotler (2003) is similar to the role played by ushers and greeters in church services. The aim of this strategy in the church is to help church members feel at home and become committed and loyal to the organization.

Growing Churches

According to Mangwana (2009) although the church has somehow not paid critical attention to the social context upon which it functioned in early years, church growth movements have hammered institutional and social factors within the church and outside the church that propels church growth. The internal dynamics of the church has been the focus of concentration to the neglect of the social milieu upon which members and the church functions; however, the external indicators have been emphasized by the church growth movement. Mangwana (2009) argued that church growth is not a man’s affair or by the wisdom of man, but by the spirit of God. It is the Holy Spirit that changes the heart and minds of men in order to become part of the church.

Studies have shown that the church growth movement begun in the 1960s through the works of Mcgavran Donald, with his great philosophical ideas and principles of missionary works. The seminary works of Peter Wagner in the 1970s popularized the movement in the United States to be specific (Fagunwa, 2015). In the 1980s the movement exploded and its effects were felt on the evangelical scene. According to Fagunwa (2015) the movement contributed to the understanding of church growth issues across the globe. The aim of the movement was to develop ways and means to reach out to people with the gospel message.

Mangwana (2009) in his study indicated that little knowledge and write ups as well as empirical evidence was known about the concept of church growth in many churches across the globe regarding church planning, evangelism, organization of churches, executing outreach programmes and making the gospel message become known to many people. The movement has provided tremendous insight and in-depth understanding to the issues of how churches can grow through the development of appropriate programmes and strategies.

Previous studies have identified a number of factors that prevent some churches from growing. The study by Bryan (2011) provided the following: the attitude of church leaders, pastors, founders and members of some churches; ineffective development of evangelism programs; negative feeling towards running effective outreach programs; failure to apply relevant marketing principles and tools; limited levels of facilities; inadequate personal resources; limited financial resources; lack of vibrant administration; and, increasing complexity in church operations and activities.

According to Wilbert Shenk, as cited in Fagunwa (2015), the church growth movement has offered a new way of approaching the missionary work and tradition and encouraged how the history of the Christian missions can be rewritten in order to capture the growth theme. Through the movement, churches have come to appreciate and accept the cognate tools of other disciplines such as statistics and other social sciences. It has given better view on how the church can be evaluated in order to propel people for evangelization and development. Lastly, the church growth movement is regarded as a pioneer of the study of church growth, underpinned by theories and conceptual models. According to McGavran cited in Fagunwa (2015), church growth is regarded as evangelism given birth within the missiological milieu.

Church Growth through Evangelization

Within the context of Christianity, evangelization is a means of spreading the gospel and winning souls for Christ. Through evangelization the church is able to increase it numbers as a result of new converts coming in (Kuwornu-Adjaottor, 2008). The word evangelism originated from Greek word "euangelismos" which means *a preaching of, or an enthusiastic effort to spread the gospel or the zeal to propagate the cause*" (Webster, 1978, cited in Eneglo, 2004, p. 45). Evangelism is a means of preaching the gospel and winning new converts for the church; using the word of God, biblical ideologies and methods (Eneglo, 2004). Eneglo (2004) posited that the foremost duty of every Christian is to go into the world and present the 'good news' or spread the gospel message to all creation. This was the commanding message given by Christ Jesus as stipulated in (Mark 16:15-16, in the Bible).

It is a truism that, one basic concept that has been part of the church's mission and agenda is evangelism. Diverse strategies, methods and techniques exist in the spreading of the gospel including one on one witnessing, discussion in churches, using a tribe head, and many more (Eneglo, 2004). Despite these techniques, strategies and methods, recent methods of evangelism have changed the principal focus of soul winning resulting in a decline in mass evangelism across the globe and making more people secularized in recent times (Kuwornu-Adjaottor, 2008). It is important to understand that evangelism has a central focus of wining souls and growing the church. Converting people and growing the church is therefore considered as the fundamental work of the supreme God (Holy Spirit) through the activities or duties of men and women within the church (Orobator, 2000). It is therefore important to posit that evangelism goes beyond the superficial procedures that people go through. It is regarded as an instructional process which takes into cognizance the intellect rather than the psychological underpinning of the convert (Williams and Tamale, 1996). A study by Kuwornu-Adjaottor (2008) indicated that although evangelism means different things to different people in Ghana, the effect of evangelism on church growth is significantly positive.

Case Study of the Catholic Church in Ghana

The Roman Catholic Church is considered as one of the oldest churches in Ghana. It was introduced into the shores of the then Gold Coast in 1471 by Portuguese missionaries (Catholic Archdiocese of Cape Coast, 2016). It can be found in almost every corner of the country. It continues to be the largest single Christian denomination in the country despite losing some members to the other churches (Zuckerman, 2009). It is also part of the world wide Roman Catholic Church governed and controlled under the spiritual authority and leadership of the Pope in Rome. The Church is divided into four ecclesiastical provinces, comprising four Archdioceses and fifteen dioceses and an apostolic vicariate (Cheney cited by Addai-Mensah, 2009). Table 1 shows the Ghanaian Catholic Dioceses and Archdioceses.

Table no. 1. Archdiocese and Diocese of Catholic Church Ghana

Archdiocese	Diocese	Region
Accra		Greater Accra
	Ho	Volta
	Jasikan	Volta
	Keta-Akatis	Volta
	Koforidua	Eastern
Cape Coast		Central
	Secondi-Takoradi	Western
	Wiawso	Western
Kumasi		Ashanti
	Goaso	Ashanti
	Konongo-Mampong	Ashanti
	Obuasi	Ashanti
	Sunyani	Brong-Ahafo
	Techiman	Brong-Ahafo
Tamale		Northern
	Damongo	Northern
	Navrongo	Upper East
	Wa	Upper West
	Yendi	Northern

Source: Catholic Church Ghana, 2012

Marketing Practices and Challenges

According to Dwomoh and Asare-Kyire (2013) the application and use of marketing principles in promoting church services has become a common practice for many churches and pastors in Ghana. This is fostered by the autonomous, non-centralized and independent religious or church movements. It has become a central favorite pivot around which many church and religious activities and their marketing strategies revolve. Although, some pastors, founders and leaders of church movements have expounded that these activities are underpinned by the Holy Spirit in fulling of the great mandate, diverse scholars within the religious fraternity have posited that economic reasons underpin such activities (Dwomoh and Asare-Kyire, 2013). The church business in Ghana for economic gains has become rampant as churches continue to emerge across all corners of the country. Many church adherents are charged a number of fees all in the name of seeing a man of God who has the power to end their personal and family problems. Services and products paid for include consultation, deliverance sessions, spiritual breakthrough services, anointing oil and anointing water.

Scholars have pointed that church business has become one of the most creative areas of making riches in Ghana (Obiora, 2004; Dwomoh and Asare-Kyire, 2013). The social context of making citizens become healthy and productive through church activities has lost its value since many citizens are exploited and as well as made to pay for religious services rendered by supposed men of God. The mandate of the church in winning souls and providing health society has been questioned in recent times by some scholars (Obiora, 2004). In the light of this, the country has seen the ascendancy of autonomous, personal, non-centralized religious and self-owned movements emerging within the past few years. According to Dwomoh and Asare-Kyire (2013) the country has become a fertile and vital ground for the growth and development of many movements across the globe.

The nature of the religious business engaged in by some men of God has made many people including reverend ministers to argue that religion has become the source of money making, indicated as money worshipping practice by Rt. Rev. Dr. Yaw Frimpong- Manso now Professor Frimpong- Manso (Ghana Dot.com, 2009). The money business has become acceptable across many Christian faith traditions. This is what Obiora (2004) in his study described as ‘Holy Deceit’, meaning using the name of God in trading. Many founders of churches observing the nature of the money business have commercialized their churches for their own selfish gains. As a result of this, many have fallen victims of such religious acts (Dwomoh and Asare-Kyire, 2013). This is what Xavier (2004) in his study regarded as the double edge sword of religion which can bring benefits and also cause harm.

Recent developments within the religious circles have shown that all religious/church movements in Ghana have strategic processes and operations regarding church marketing. According to Dwomoh and Asare-Kyire, (2013), modern marketing has provided churches with enormous amount of means upon which church programmes and activities are made known to the world and people across the globe. Although, these are used wrongly by some pastors and founders of churches, the principles of marketing are an effective way of fulfilling the great commission.

Conclusion

Decades ago, Kotler and Levy (1969) called for expanding the reach of marketing to include the social and community sectors. The intersection between religion and marketing is an important research area, but has remained as a footnote in the literature (Cutler, 1992). In this paper, we explored theories and literature constituting the field of Church marketing. Church marketing has invited renewed attention since, globally, church membership began to decline since the early 1970's (Webb, et al., 1998) and the trend does not seem to reverse even today. Many countries in Europe are turning to atheism and the Church finances are getting hit hard. Yet, throughout this paper, we took the moral position Church marketing is not to be aimed at economic profits. We also discussed marketing strategies and their impacts upon church growth, specifically in Ghana.

Churches are increasingly using marketing concepts, consciously or unconsciously, in their promotion efforts. The marketing plans are often devised by the clergy without giving heed to the voice of the believers, resulting in acrimony (McDaniel, 1986). A critical failure in church marketing is that it considers that the Church is the maker of the products that it sells. The Church is rather an agency of God, the ultimate granter of faith products (Kenneson and Street, 2003). Also, salvation is an individualized good and mass marketing with sweeping promises will not yield meaningful impacts. The Catholic Church encourages national-cultural bound traditions and each local church has some leeway in determining its religious market structure (Trejo, 2009).

It is an interesting future research issue to examine if the normative Catholic teachings about ethical issues in marketing are applied to the Church's own marketing practices. Developing right perception towards growth strategies would foster church growth in churches across the globe. The onus also lies on church leaders and pastors to develop marketing models which are effective in ensuring the spreading of the gospel message as well as the programmes and activities of the church.

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Linkages between Marketing Mix Components and Customer Satisfaction: An analysis on Google in Hanoi, Vietnam

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Abstract
Using SPSS and AMOS to conduct descriptive analysis and hypothetical analysis (t-test, one-way ANOVA and Regression), the study evaluates the importance of Marketing mix factors (4Ps) on Customer satisfaction of Google customers, using large-scale survey in Hanoi, Vietnam to generate primary data. Some “quotas” were built as quota sampling was used. Further, research implications, limitations and suggestions were mentioned respectively.
Keywords: Marketing mix, Customer Satisfaction, Google Inc., Vietnam, quota sampling.

Introduction

Marketing mix and *Customer behavior* are two areas which bring to us unlimited fascination. And in our 21st century world of technology nowadays, choosing a technology company for researching could be reasonable in contributing to the development of human knowledge. Google Inc. is well-known word-wide for its innovative marketing campaigns. However, we may wonder, to what extent these campaigns influence the satisfaction of customers, specifically Google customers in Hanoi, Vietnam? The question leads to the chosen research topic; although the road is long and far, but we determine to go till the end.

Our world is changing because of the Internet (Möller, 2006), with both opportunities (Pozo, 2014) and challenges (e.g. Porter, 2001). The global business environment, nowadays, is becoming growingly chaotic, competitive, complex and unpredictable (e.g. Doherty and Delener, 2001; Burnes, 2005; Yadav, Swami and Pal, 2006; Azad, Roshan and Hozouri, 2014), preventing marketers to determine, employ and manage their marketing mix strategies. Customers these days are more individualistic, demanding and critical (e.g. Capon and Hulbert 2000; Lewis and Bridger 2000), while less responsive and sensitive to traditional marketing (Christopher, 1989). Online commercial companies, networks, databases are easily accessed, and marketers are shifting to methods allowing personalization, interaction, sincere and direct dialog to improve communication with the target customers, promptly and accurately identify and respond to the regularly changing and evolving customer demand in the current competitive environment (Möller, 2006). Innovation is claimed vital to achieve success in the turbulent marketing environment (Mason, 2004), as traditional practices are slow, unresponsive (Nilson, 1995) and simplistic to cope with changes (e.g. McGlone and Ramsey, 1998; Tedesco, 1998).

In this scenario, marketers and managers find the solution in both classical and innovative marketing practices. This paper combines the classical 4Ps to evaluate the marketing strategies of an undeniably popular technology – Google. Regularly defined as a combination of variables to be identified and controlled for fulfilling specific customer requirement, *Marketing mix (MX)* is undeniably important tool in both marketing literature and practice. With the use of marketing tools such as 4Ps, after met customer demand, marketers push further and aim for influencing higher levels of *Customer satisfaction (CS)*. The mentioned concepts were chosen for this paper with the situational reasons above, and could be referred in latter sections.

Literature Review

Google on a global basis

Google Inc. is an American-based multinational cooperation, established in 1998 (Essays, 2013; Greenspan, 2017), specializing in internet products and services (Bhasin, 2016). Its search engine Google Search has become a synonym for searching (Pratap, 2017), indexing and rating billions of pages per day, with speedy results (Elgin, 2004; Essays, 2013). Although applying diversified methods and facing stiff competition from other companies (e.g. Microsoft, Apple, Facebook) (Bhasin, 2016), Google has achieved global success mainly contributed by its marketing mix plan, playing the role of an efficient and varied set of product lines, appropriate pricing, ever-present distribution and cost-effective promotion (Greenspan, 2017).

Product

Opportunities are bought by the rise of Internet to both businesses and users in using products and services of Google (e.g. Google Search, Google Drive) (Pozo, 2014). With smart judgments, excellent and perfect ideal implications, Google is crowned as the most popular search engine in the world (Pozo, 2014), with cutting-edge technology and varied (and rising) product lines of around 151 (Bhasin, 2016). Specifically, products and services are categorized into groups, notably (1) Web-based products (e.g. Youtube, Gmail, Google Translate, Google Docs, Google Analytics); (2) Operating systems (e.g. Chrome OS); (3) Desktop apps (e.g. Google Chrome, Google Earth); (4) Mobile apps (e.g. Google Maps; Google Calendar); (5) Hardware products (e.g. Chromecast media player, Nexus and Pixel phones); (6) Services (e.g. Google Fiber), and many others (Elgin, 2004; Essays, 2013; Pozo, 2014; Bhasin, 2016; Pratap, 2017; Greenspan, 2017). Among these, Google Search, Google Chrome and Gmail are most popular being used by millions, providing maximum capacity of information to users from webpages (Bhasin, 2016). Google Search processes 40,000 search queries per second, translates around 3.5 billion searches per day meaning trillions per year (Pratap, 2017).

Besides search engine, Google is also active in other areas, expanding its business and market share (Greenspan, 2017), supporting individuals, businesses, students, experts and even web-masters with smart solutions (Pratap, 2017). Business services, such as search appliance models based on corporate form or using purpose, are offered (Bhasin, 2016). Chromebooks were made and sold in partnership with other laptop companies, which optimized for Google products and run on Chrome OS (Pratap, 2017). Earning substantially from libraries around the world, Google uses Google Scholar with the intention of digitizing as many books as possible and including them in search results, supporting a variety of scholarly materials, making all books available to everybody (Essays, 2013; Marketingmixx, 2011).

Surprisingly, the major income of Google is from advertising. The best and biggest online advertising solution of Google is Google AdSense (Pratap, 2017) - a simple network for website owners (or publishers) to monetize by displaying relevant, unobtrusive ads and improve page content (Google Inc., 2007; Pratap, 2017). The program matches the ads with the content of the site, adding value to the site by matching visitors with relevant products (Google Inc., 2007).

Another note-worthy is AdWords (Essays, 2013; Marketingmixx, 2011), launched in 2000, made search engine marketing (SEM) effective and revolutionized the online advertising industry (Google Inc., 2007). This is a quick and simple advertising program to advertise, regardless of advertising budget (Google Inc., 2007), as series of advertisements displayed on the search engine results page are paid by advertisers.

Price

Google smartly charges their products/services, and regularly brings good results. They apply varied pricing strategies, notably freemium pricing (e.g. Gmail), value-oriented pricing (e.g. AdWords), market-based pricing (e.g. Chromecast), and penetration pricing (e.g. Google Fiber) (Greenspan, 2017; Pratap, 2017) to satisfy the demand of different user segments in varied situations and scenarios (Pratap, 2017). Products are smartly and competitively priced (e.g. Chromebooks, G-suite, Nexus) and sometimes provided for free (e.g. Google drive, Google docs) (Pratap, 2017), bringing convenience to both individuals and businesses. In short, Google prices are set based on the value of their products/services, list price, discounts, allowances, credit and payment terms, current market condition and competitors' policies (Bhasin, 2016).

As mentioned above, Google primarily earns through AdWords, a keyword-based special advertising program (Bhasin, 2016). One potential problem with AdWords is "click fraud", where competitors fraudulently click on the advert; however, this is not much of a problem as Google has methods to tackle this (Essays, 2013).

Place

Google's Headquarters (The Googleplex) is located at Mountain View in California with a created innovative environment similar to a university campus, enabling employees to reach their highest potential (Essays, 2013). Google has a highly-expertise and experienced workforce of around 52,000, coming from many regionals with different languages (Bhasin, 2016). Data is collected from all over the world which latter used in search filtering (Bhasin, 2016). We can say that Google know how to maximizes the workforce productivity by creating innovative and multicultural atmosphere.

Google is majorly an online business; therefore its main distribution channel is the Internet (Essays, 2013; Greenspan, 2017; Pozo, 2014), and the company seems to be the best (Elgin, 2004; Pozo, 2014). Popularity of the Internet nowadays maximizes the efficiency of distributing digital Google products, as most of the products/services can be accessed and purchased online (Greenspan, 2017). With two target groups, individuals and businesses (Pratap, 2017), Google effectively and conveniently distribute and its products/services via Internet. Prospective customers are also targeted by Google with conclusion of all activities through internet (Bhasin, 2016). For tangible products such as Nexus, Pixel phones and Chromebooks, the main outlets of Google are retailers, enhancing Google's ability to reach larger customer population (Greenspan, 2017; Pratap, 2017). Further, by cooperating with other companies and organizations (e.g. NASA, Sun Micro), Google's products and services are helpfully shared and distributed (Bhasin, 2016). Undeniable fact is that Google effectively distribute their products/services, through both online and offline channels.

Promotion

Previously, Google spends minimal promotional budget and more on research and development (Greenspan, 2017), commits itself to concentrate on improving search results (Bhasin, 2016) and avoids fancy graphics (Elgin, 2004; Pozo, 2014). As the result, the brand grows significantly because of mouth publicity, not by advertising (Elgin, 2004; Pozo, 2014; Bhasin, 2016); therefore, we say that Google is very successful in branding.

However, Google is changing its policy, actively promoting its brand awareness internationally via Internet, television, radio and even print media, with simple and informational ads (Pratap, 2017; Bhasin, 2016). Specifically, Google is proactively managing the media and deepening user engagement by incentivizing advertisers to use AdWords by proving money-off promotions (e.g. free $20 worth of advertising), promoting its products (online ad Gmail for work), having its own TV ad for Google Chrome, using AdWords to promote its services, flyers included inside business magazines, billboards to promote the brand, sponsoring competitions and having a PR function (Essays, 2013; Greenspan, 2017; Pozo, 2014; Pratap, 2017).

Overall, the reason behind the success of Google is its high-quality products and services, word of mouth, and smart and effective ads. Collecting world-wide data, simple platform and free services are provided to help to sell the ads on webpages (Bhasin, 2016). This is a very tricky strategy, showing the fact that Google understands the importance and the needs of their customers.

Google in Vietnam

Vietnam is a 93-million-populated and developing country, with over 52% uses the Internet, and 128 million mobile subscribers (Voice of America, 2015). Google.com.vn is the number one search engine, while Google.com ranked third, and Youtube is one of the most used and viewed websites in Vietnam (Do, 2013). Google’s survey shows that the figure of Vietnamese using Google Search for information & education is three times higher compared to the world’s average (Ly, 2015). The slow dominance of Google brings undeniable difficulties to local firms e.g. Wada.vn or CocCoc (Do, 2013).

The cyberspace in Vietnam is becoming growingly competitive. The recent developments of CocCoc, with many special features, bring some obstacles to Google (Kaushik, 2015). Funds are kicking in, helping Coc Coc in improving its product lines, implementing strategies and enhancing user experience (Kaushik, 2015). Further, recent activities of Google in Vietnam have also showed the focus of the company on this country, bringing many opportunities (Tuoi tre news, 2015; Ly, 2015; Minh, 2015). On July 2015, Nguyen Phuong Anh, an 8X Vietnamese, has been appointed as Head of Marketing (Do, 2015). December 2015, Sundar Pichai, CEO of US Google Inc., joined a meeting with Vietnamese entrepreneurs in Hanoi, said that Vietnam has potential because of large population, high percentage of Internet users and a strong entrepreneurship spirit (Voice of America, 2015, Ly, 2015). Earlier, Pichai promised with Vietnamese Prime Minister Nguyen Tan Dung to help Vietnam to train IT engineers, confirmed that "Vietnam already has an Internet economy, with "ongoing transition" (Minh, 2015). Vietnamese government also promises to cooperate and assist Google and technological companies to develop in Vietnam.

Marketing mix (MX)?

Let's have a review of marketing mix literature. The concept is unquestionably popular and has undergone many adjustments and improvements in definition (e.g. Kalyanam and McIntyre, 2002; Tellis, 2006; Kotler and Armstrong, 2012; Jobber and Ellis-Chadwick, 2012), regularly reviewed and modified over time (e.g. Möller, 2006; Dominici, 2009; Kotler and Keller, 2011).

Invented by James Culliton (1948) based on the single factor of price in microeconomic theory (e.g. Chong, 2003), but nearly 20 years latter, in 1964, Borden popularized the classical marketing mix in the article *The concept of marketing mix*, with 12 factors, helping marketers in designing marketing plans. McCarthy (1964) defined marketing mix as a set to be used to leverage and meet market demand (Dominici, 2009), or a medium for designing and lauching marketing plan (Bennett, 1997) with four famous components (4Ps).

Previously defined as variables companies should manage and apply to fulfill the needs of the target market (McCarthy and Perreault, 1987), and considered (Kalyanam and McIntyre, 2002) as combination of clustered micro-elements, simplifying administration process, or variables used and controled to influence sales/market shares (Tellis, 2006); Marketing mix recently redefined as a collection of marketing tools to be tactically controlled by organizations to produce specific outcomes in the target market (Kotler & Armstrong, 2012).

Since the introduction in 1940s, the term has been contributing its undeniable role of differentiation maker in marketing management (Van Waterschoot, 2000).

Customer Satisfaction (CS)

Customer satisfaction is known as the vital factor to be successful in the marketplace (Mostaghel, 2006; Wirtz, 2003; Weiser, 1995) and the remarkable factor in determining the successful degree of an organization in customer relationships (Reichheld, 1996). Popularly defined by many researchers, in varied of terms regarding satisfaction of end-users (Giese, 2000), but generally, satisfaction is about achieving the things we want (Mostaghel, 2006). In fact, satisfaction is more considered as a cumulative/overall evaluation rather than a transaction-specific phenomenon (Wilton and Nicosia, 1986). Johnson, Herrmann and Gustafsson (2002) suggested that it is necessary to adopt the cumulative overall definition as the key indicator of past, present and future performance, motivating companies to invest more in customer satisfaction.

Further, repeat purchase, positive word-of mouth and long-term profits are believed (Wirtz, 2003) as outcomes of customer satisfaction (e.g. Heskett, James, Loveman, Sasser and Schlesinger, 1994). Customer satisfaction even brings loyalty across many product/service categories (Gustafsson, Johnson and Roos, 2006), having positive and productive impacts on business growth (Nuseir and Madanat, 2015). However, customer demand often wrongly specified, misinterpreted or misunderstood (Hill, 1996; Kekäle, 2001), as criteria for evaluating customer satisfaction should be defined by customer (Mostaghel, 2006).

Impacts of Marketing mix on Customer Satisfaction

Marketing exists to satisfy the needs and wants of customers (Kotler, 2005), being used to match the values to the exact customer for higher levels of outcomes (e.g. Ghazizadeh, Besheli and Talebi, 2010; Nuseir and Madanat, 2015). In order to compete in business environment nowadays, companies need to improve their strategies to fulfill customer needs and achieve customer satisfaction (Murshid, Halim and Osman), which can lead any business to success or failure (Nuseir and Madanat, 2015). Therefore, customer satisfaction should be focused rather than customer acquisition (Kotler, 2005) and the crucial factor to customer retention is customer satisfaction (Kotler, 1994).

Recently, influences of Marketing mix components on customer satisfaction have been regularly analyzed (Saludin, Ling and Razali, 2007; Mamoun, 2012; Ahmed and Rahman, 2015; Nuseir and Madanat, 2015; Abdullah Kadhim, Abdullah and Abdullah, 2016). The framework is described as the antecedent (Murshid et al., 2014), or function, of customer satisfaction (Sarker, Aimin and Begum, 2012; Murshid et al., 2014), playing the role of predominant factor in marketing plan that increases customer satisfaction levels. By understating psychological traits of customers, 4Ps variables could be managed and applied to satisfy the constantly changing customer needs (Nuseir and Madanat, 2015).

Product on Customer satisfaction

Product quality brings satisfaction, helping organizations to secure the competitive advantages and attract potential customers (Nuseir and Madanat, 2015), although it may not be totally true in service sectors (Lai, Griffin and Babin, 2009; Auh and Johnson, 2005; Mincocha, 2006).

Branding is a popular topic in marketing literature as brand loyalty is considered to reduce the product costs compared to the efforts made to attract new customers (Nuseir and Madanat, 2015), and bringing reputation to firms (Bontis, Booker and Serenko, 2007). Customers also participate in evaluating the brand standards and providing suggestions for quality enhancements and the relationship between a customer and brand reflects positive and negative aspects of a product to loyal customers (Nuseir and Madanat, 2015). Ahmed and Rahman (2015) said that product differentiation might lead to the increase in satisfaction of customers. Dhurup, Mafini and Dumasi (2014) quoted that marketing success of business depend much on the ability to continuously improve products with competitive pricing and brand awareness strategies in order to enhance customer satisfaction and brand loyalty.

Price on Customer satisfaction

The factor is used for attracting both existing and potential customers, playing pivotal role in establishing an influential relationship between both a customer and an organization, specifically considering affordability of customers and increasing reputation of organizations in the market (Nuseir and Madanat, 2015). Organizations are required to carefully balance between maximizing their profits both internally/externally with adequate pricing and maintaining customers (Auh and Johnson, 2005). Ineffective pricing could cost managers opportunities of attracting new customers leading to financial decline (Khouja and Robbins, 2005).

Three popular pricing techniques used to increase customer satisfaction are (1) Cost-based pricing, (2) Customer-driven pricing (3) Market-driven pricing (Collins and Parsa, 2006). Said by Cravens and Piercy (2007), the crucial factor in pricing should based on customer responses of product values (Nuseir and Madanat, 2015).

Factors of overall investment, market influence, pricing predictions of competitors, as well as customer spending behavior also significantly affect pricing strategy (Lancioni, 2005). Price is related to quality as customers want the higher product/service quality for their spending, even it means cost more (Goldschmidt and Chung, 2001).

Place on Customer satisfaction

The supply chain of an organization, including suppliers, manufacturers, wholesalers, retailers and end customers, secures its competitive position, ultimately increases its ability to satisfy more efficiently its customers (e,g, Strydom, 2005; Nuseir and Madanat, 2015). Promptly production, dispatch and delivery of goods require various planning and manufacturing aspects that also should be prioritized to maximize customer satisfaction (Cravens and Piercy, 2007; Bee, 2009; Nuseir and Madanat, 2015). Alom and Haque (2011) have argued the importance of distribution channels for customer satisfaction and retention, emphasizing that strengthening distribution network to ensure efficient and to bring quicker supply of helps in ensuring credibility and increasing customer satisfaction.

Promotion on Customer satisfaction

Promotion introduces and highlights specific features of a product or service to customers, helping to reduce the communication gap between a customer and an organization, influencing the pricing aspect of a product, playing the role of the key factor of business success in domestic and global environment (Hollensen; 2007, Oyekunle, 2010, Nuseir and Madanat, 2015). Organizations now perceive that by sharing information on certain characteristics of products through advertising, their competitiveness could be enhanced (Chen and Leu, 2011).

Up-to-date, innovative and unique promotional channels (e.g. digital media, internet services, online forums and networks) are different from traditional methods (Sharma, Herzog and Melfi, 2008), helping to broaden customer thinking and establishing efficient communication (Nuseir and Madanat, 2015). Recent integration of online and offline promotional techniques leads to direct and indirect marketing and produces opportunities to customers to directly choose the desired products (Jensen and Jepsen, 2006).

Research gap

There is a gap between theory and reality. Like a Vietnamese saying "*theories are grey and the tree of life is always green*". And this is the gap that researchers are trying to close. Although there are many marketing theories of Marketing Mix and Customer Satisfaction, we seem doing something wrong. We misattribute characteristics to customers. Understanding marketing is understanding human nature, scientifically, and to meet their demand. So, this paper is written with the above mentioned enthusiastic intention.

Objective of the study

Although there are many articles analyzing the relationship between Marketing Mix and Customer Satisfaction, this study aims to (1) close the gap between theories and practices, by deep analysis on previous theories and more effectively, innovatively applies the marketing practices. More specifically, researchers want to (2) indicate the characteristics of marketing mix practices of Google, compared to other companies in other industries or even in the same technological industry, but in different business segments. We totally understand the difficulties of big companies like Google to balance and improve in global business environment nowadays; therefore, this paper is written to (3) support Google to know more about the Vietnamese market as well as themselves, and contribute our efforts to human wisdom. Lastly, with deeply love towards human race and Vietnamese people, we aim to (4) reach to a higher level of knowledge, by trying to understand not only human knowledge, but also human nature.

Hypotheses

Ten (10) hypotheses were proposed:

H1: The marketing mix of Google has impacts on Customer Satisfaction.

H2a: There is statistical significance between males and females regarding Customer Satisfaction.

H2b: There is statistical significance among age groups regarding Customer Satisfaction.

H2c: There is statistical significance between single and married respondents regarding Customer Satisfaction.

H2d: There is statistical significance among place-of-residence groups regarding Customer Satisfaction.

H2e: There is statistical significance among qualification groups regarding Customer Satisfaction.

H2f: There is statistical significance among business sectors regarding Customer Satisfaction.

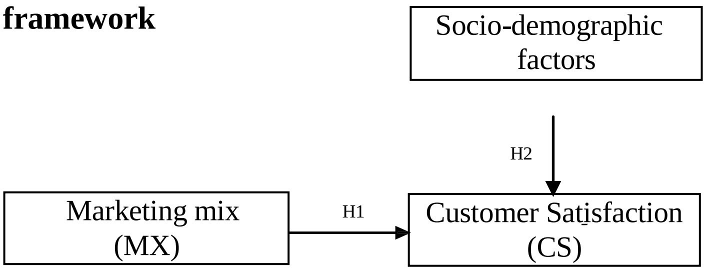
H2g: There is statistical significance among working positions regarding Customer Satisfaction.

H2h: There is statistical significance among salary groups regarding Customer Satisfaction.

H2i: There is statistical significance among groups with different using experiences regarding Customer Satisfaction

Research methods

Research framework



Research design

The paper applies quantitative methods, deductive reasoning, and large-scale surveying (Johnson and Christensen, 2008; Saunders, Lewis and Thornhill, 2009). As explanatory research, chosen analytical methods are (1) Descriptive and inferential statistics, (2) Regression, (3) Independent samples *t*-test, and (4) One-way ANOVA (Saunders et al., 2009).

In order to encourage respondents to fill in and return (Saunders et al., 2009; Dillman, 2007), a self-administered, short, simple and well-designed questionnaire was conducted between 01/09/2017 and 31/10/2017 to generate data, based on literature review. The questionnaire is designed in English, Vietnamese and an online version for online channels.

Sampling and Measures

Vietnamese customers of Google Inc. in Hanoi, Vietnam are the population. Quota sampling (Jawale, 2012) is utilized; therefore, the sampling frame is not necessary (Crawford, 1997; Gschwend, 2005), and some "quotas" were built, specifically (1) at least 600 responses from 08 urban districts of Hanoi and (2) in both genders: 300 responses from males and 300 responses from females. Random samples will be chosen from subgroups to minimize the bias of availability. The number of sample is raised for high creditability (Kumar, 2011). All responses are treated with high confidentiality and anonymity. Specifically, twenty-eight 4Ps items are suggested based on literature review, while seven Customer Satisfaction items are based on ideas of Fornell, Johnson, Anderson, Cha and Bryant (1996) and Xu, Ye and Zhang (2013). Ten demographic questions are applied for *t*-test and ANOVA.

With the intention of generating accurate data, validity, reliability (Saunders et. al., 2009), normality assessment (Hair, Anderson, Tatham and Black, 1998), EFA, CFA and SEM are required, respectively. Secondly, the regression analysis is utilized to test the hypotheses above. Thirdly, the independent samples t-test was used to evaluate the differences between (1) males and females; (2) single and married respondents in Customer Satisfaction. Final step is using one-way ANOVA to analyze the differences among varied groups of (1) Age (2) Place of Residence (3) Qualification (4) Working sector (5) Working position and (6) Total Salary regarding Customer satisfaction.

Strengths and Weaknesses

The paper contains following strengths (1) Comprehensive and dependable literature review; (2) Reliable questionnaire with authentic results; (3) Hypothesis testing using SPSS and AMOS is included.

On the other hand, some cons should be noted: (1) EFA, CFA, SEM were basically conducted, but as statistical knowledge and skills are limited, in-depth analysis was not included; (2) Validity and reliability of secondary sources are not guaranteed; (3) Samples are mostly female youngsters in Hanoi only; (4) Environmental factors (competition, law, finance, etc) are not included.

Results and discussion

Fig. no.1. Normal Q-Q Plot of CS

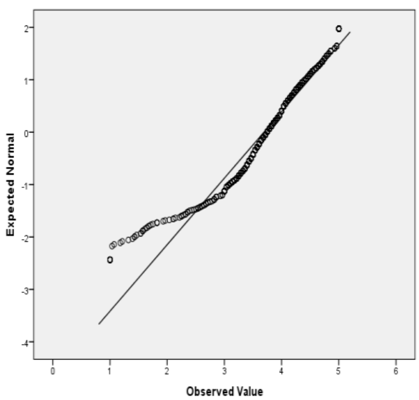
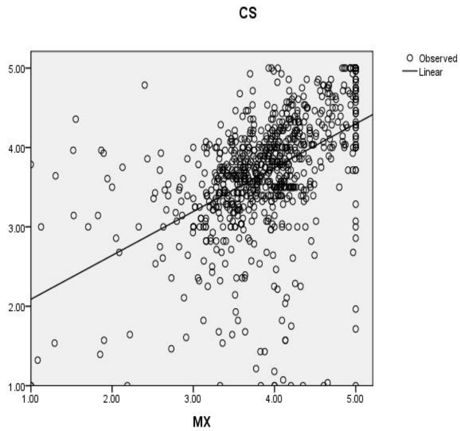


Fig. no. 2. Simple linear regression model



As a result, after distributing 900 questionnaires over 8 weeks, 847 responses were collected, 42 of which were incomplete, meaning 805 usable (usable response rate 89%). The number (805) meets minimum standard of at least five times the number of variables (Myers, Ahn and Jin, 2013).

Descriptive analysis showed that most respondents are single (87.1%) female youngsters (62.7%) from 18 to 25 years old (80.9%), from Cau Giay, Ba Dinh and Dong Da or Other districts (68.4%), holding undergraduate degrees (86.8%) as students (66.5%), with low salary level of below 20,000,000 VND (65.2%), long time of more than 3 years (85.8%). We can conclude the figures majorly reflect the views of female students in Hanoi, mostly from urban districts above in low-income families of lower or middle class, with means of all responses are over 3.5.

Google's Web-based products (95.1%), Mobile (85.8%) and Desktop apps (78.0%) and Operating systems (49.8%) are undeniably popular among Vietnamese customers in Hanoi, whilst only 16.4%, 10.6% and 2.5% use Hardware products, Services and other products, respectively.

Table no. 1. Frequencies of $Q45UsedGoogleproducts

		Responses		Percent of Cases
		N	Percent	
$Q45UsedGoogleproducts	Webbasedproducts	764	28.1%	95.1%
	Operatingsystems	400	14.7%	49.8%
	Desktopapps	626	23.0%	78.0%
	Mobileapps	689	25.4%	85.8%
	Hardwareproducts	132	4.9%	16.4%
	Services	85	3.1%	10.6%
	Other	20	0.7%	2.5%
Total		2716	100.0%	338.2%

The factor analysis showed that the Kaiser-Meyer-Olkin value was .930, and the Bartlett's Test of Sphericity was statistically significant at .000 level.

Table no. 2. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.930
Bartlett's Test of Sphericity	Sig.	.000

Table no. 3 also showed that the alpha coefficients are all over .7, specifically .875, .894, .880, .880, .911, .862, .870, .870, .857, .885, .876, respectively.

Table no. 3. Cronbach's alpha of factors

	Measurement scale	Number of items	Cronbach's
Marketing Mix (MX)	Product	8	.875
	Price	6	.894
	Place	7	.880
	Promotion	7	.880
Customer Satisfaction (CS)	Enterprise/brand	4	.911
	Quality expectation	4	.862
	Quality perception	4	.870
	Value perception	4	.870
	Customer satisfaction	4	.857
	Customers' complaints	4	.885
	Customers' loyalty	4	.876

Table no. 4. Rotated Component Matrix

		Component	
		1	2
Customer Satisfaction (CS)	Quality_perception	.892	
	Value_perception	.886	
	Customer_satisfaction	.873	
	Quality_expectation	.854	
	Customers'_loyalty	.848	
	Customers'_complaints	.812	
	Enterprise_brand_image	.796	
Marketing Mix (MX)	Place		.898
	Price		.886
	Product		.879
	Promotion		.874

Table no. 5. Results of hypothesis testing (SPSS)

No	**Path**	**Method**	**Results (APA)**		**Result**
H1	MX > CS	Regression	(F(1,803) = 252.632, p < .000**), with an Adjusted R^2 of .238		Supported
H2a	Gender > CS	t-test	Levene Statistic p-value = .056 > α = .05	t = -.024, df = 803, p-value = .981 > .05 = α	Unsupported
H2b	Age > CS	Kruskal - Wallis	$\chi 2(5) = 6.677$, p = .246 > .05		Unsupported
H2c	Marital Status > CS	t-test	Levene Statistic p-value = .722 > α = .05	t = -1.544, df = 803, p-value = .123 > .05 = α	Unsupported
H2d	Place of residence > CS	ANOVA	F(8, 796) = 1.458 p = .169 > .05		Unsupported
H2e	Qualification > CS	Kruskal - Wallis	$\chi 2(3) = 2.759$, p = .43 > .05		Unsupported
H2f	Working sectors > CS	Kruskal - Wallis	$\chi 2(4) = 7.189$, p = .126 > .05		Unsupported
H2g	Working position > CS	ANOVA	F(5, 799) = 3.784 p = .002** < .05		Supported
H2h	Salary > CS	ANOVA	F(4, 800) = 1.649 p = .160 > .05		Unsupported
H2i	Time of using > CS	Kruskal - Wallis	$\chi 2(3) = 18.192$, p = .000** < .05		Supported

*P <.05

**P <.01

Fig. no. 3. Results of Hypothesis testing (AMOS)

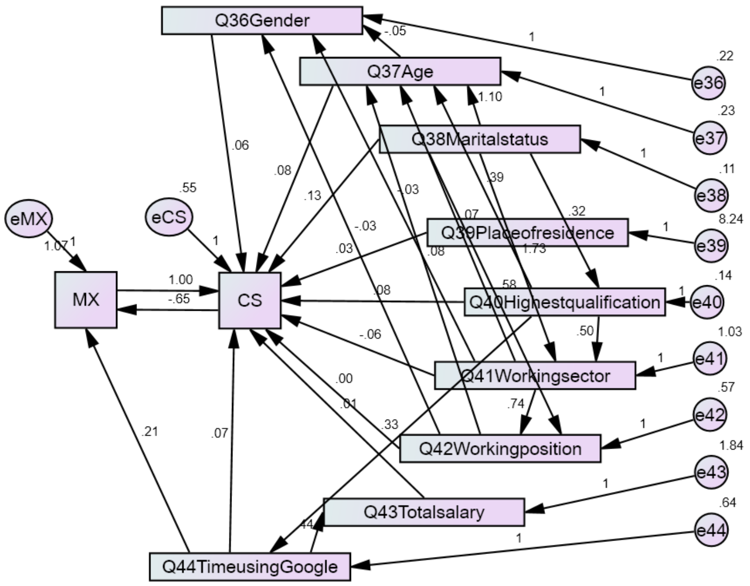


Table no. 6. Model Fit

Model	IFI Delta2	TLI rho2	RMSEA
Default model	.992	.986	.027

Table no. 7. Regression Weights (Group number 1 - Default model)

			Esti-mate	S.E.	C.R.	P	Label
Q40Highestqualification	<---	Q38Maritalstatus	.317	.039	8.085	***	par_19
Q41Workingsector	<---	Q38Maritalstatus	1.726	.111	15.534	***	par_10
Q41Workingsector	<---	Q40Highestqualification	.503	.096	5.233	***	par_16
Q42Workingposition	<---	Q38Maritalstatus	.577	.093	6.225	***	par_11
Q42Workingposition	<---	Q41Workingsector	.744	.026	28.982	***	par_13
Q37Age	<---	Q38Maritalstatus	1.099	.061	18.014	***	par_12
Q37Age	<---	Q40Highestqualification	.385	.046	8.372	***	par_15
Q44TimeusingGoogle	<---	Q40Highestqualification	.334	.073	4.580	***	par_17
Q37Age	<---	Q41Workingsector	.073	.024	3.104	.002	par_20
Q37Age	<---	Q42Workingposition	.085	.022	3.780	***	par_21
Q43Totalsalary	<---	Q44TimeusingGoogle	.438	.059	7.409	***	par_14
Q36Gender	<---	Q41Workingsector	-.031	.023	-1.348	.178	par_23
Q36Gender	<---	Q42Workingposition	-.027	.022	-1.231	.218	par_24
Q36Gender	<---	Q37Age	-.049	.028	-1.764	.078	par_25

			Esti-mate	S.E.	C.R.	P	Label
CS	<---	Q41Workingsector	-.057	.037	-1.544	.123	par_1
CS	<---	Q42Workingposition	-.003	.035	-.099	.921	par_2
CS	<---	Q43Totalsalary	.008	.019	.412	.680	par_3
CS	<---	Q44TimeusingGoogle	.074	.034	2.194	.028	par_4
CS	<---	Q36Gender	.060	.055	1.099	.272	par_5
CS	<---	Q37Age	.078	.055	1.421	.155	par_6
CS	<---	Q38Maritalstatus	.125	.112	1.120	.263	par_7
CS	<---	Q39Placeofresidence	.035	.009	3.806	***	par_8
CS	<---	Q40Highestqualification	.083	.075	1.101	.271	par_9
MX	<---	Q44TimeusingGoogle	.205	.047	4.354	***	par_22
CS	<---	MX	1.000				
MX	<---	CS	-.650	.080	-8.122	***	par_18

Conclusions

As the above SPSS results indicated, we can firmly conclude that there are impacts of Google Marketing Mix strategies on Customer Satisfaction of Vietnamese in Hanoi, Vietnam (H1 supported). However, there are no statistical differences in Customer Satisfaction among sample groups (H2a; H2b; H2c; H2d; H2e; H2f; H2h are not supported), except among groups of different working positions (H2g supported) and using experiences (H2i supported).

On the other hand, the AMOS outputs showed a slightly different result. With the amended model, the relationship between variables are clearly depicted (Fig. no. 3 and Table no. 7). The model is fit with three main indices (Table no. 6), and Marketing mix strategies of Google, Place of residence and Time using Google have impacts on Customer Satisfaction of Vietnamese customers in Hanoi, Vietnam (H1, H2d and H2i are supported), while other factors have no impact (H2a, H2b, H2c, H2e, H2f, H2g, H2h are not supported) (Table no. 7).

Overall, we can say that the model is fit for further studies to be used, meaning Marketing mix strategies of Google has undeniably impacts on Satisfaction of Vietnamese customers in Hanoi, Vietnam, while other socio-demographic factors should be carefully analyzed in specific circumstances.

Some note-worthy suggestions for future researches: (1) Conducting survey on larger population; (2) More varied “quota” will bring more exact results; (3) Analysis between experienced and not experienced participants required; (4) New components (7Ps), or models should be tested and applied; and (5) Other statistical methods

(ANCOVA, etc…) using other statistical soft-wares (R:, Mplus, Stata, LISREL, etc) should be applied for better results.

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Rural Financing, Infrastructural Investment and Agricultural Productivity: any hope for Poverty Reduction in Africa?

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Abstract
Poverty is the root cause of hunger which in turn causes malnutrition, low productivity and low income, leading to a phenomenon called ‘vicious circle of poverty and hunger’, which is a common feature associated with African countries. A breakaway out of this circle is to improve agricultural productivity of the continent via infrastructural investment. The preoccupation of this paper, therefore, is to provide a link between rural financing, infrastructural investment, agricultural productivity and income inequality in some selected African countries. The Generalized least square (GLS) estimation technique is adopted to analyse the panel data drawn from secondary sources. The analysis reveals that electricity per capita and health expenditure which are proxy for infrastructural investment have significant impact on agricultural output. The policy implication that emanates from this study highlights the need for the various African States to improve on its electricity generation so as to meet the increasing demand of the growing population and also increase the percentage of health expenditure to GDP in order to improve the health sector.

Keywords: Poverty; Hunger; Agricultural Productivity; GLS; Infrastructural Investment.

Introduction

The term “Poverty” is not an easy concept we can tag a single definition to. Its ambiguity has raised many definitions from both economics and non-economic scholar. An excerpt from Todaro and Smith (2012), gave some striking definitions of the concept of poverty as opined in the voice of the poor below:

“When one is poor, she has no say in public, she feels inferior. She has no food, so there is famine in her house; no clothing, and no progress in her family”, said a poor woman from Uganda.

“Don’t ask me what poverty is because you have met it outside my house. Look at the house and count the number of holes. Look at the utensils and the clothes I am wearing. Look at everything and write what you see. What you see is poverty”, said a poor man in Kenya.

“When food was in abundance, relatives used to share it. These days of hunger, however, not even relatives would help you by giving you some food”, said a young man from Nichimishi, Zambia.

In recent years, many approaches have defined poverty in a more multidimensional way. These approaches include the capabilities approach (Sen, 1999), the human development approach (UNDP, 1990) and the basic needs approach (Streeton, 1981). Their acceptance is reflected in the use of the United Nations Development Program’s (UND) Human Development Index (HDI), which is a composite measure of three dimensions of human developments: (i) educational attainment, (ii) life expectancy and (iii) standard of living, measured by income in terms of its purchasing power parity (UNDP, 2006).

Hunger, a twin of poverty, does not necessarily mean the absence or shortage of food supply. This is because there can be plenty of food and people will still be hungry. Hence, poverty is the root cause of hunger which in turn causes malnutrition, low productivity, and low income, leading to a phenomenon called ‘vicious circle of poverty and hunger’, which is a common feature associated with African countries. Poverty is still one of the major problems facing the rural dwellers. Globally about 1.2 billion people live on less than US$1.25 a day. About 870 million people suffer from hunger, and 76% of the World’s very poor people live in rural areas. Most of them are excluded from the formal financial services (FAO, 2013). The slow pace of poverty and hunger reduction points to an urgent need for strategies that better target the areas where poor people live and the activities on which their lives depend. A successful strategy for alleviating poverty and hunger in Africa must begin by recognizing that they are mainly rural phenomena and that agriculture is at the heart of the livelihoods of rural people.

In Africa, agriculture is the principal driving force for the rural sector, especially those countries without substantial mineral resources. Dependence on agriculture for economic growth and export earnings increases with the prevalence of hunger, and so does the proportion of people whose lives depend on the rural economy. Hunger and poverty reduction require that the incomes of poor people and the sources from which they derive their livelihoods be enhanced. Therefore, pro-poor income growth needs to be encouraged. This means that income growth originating in agricultural development will reduce poverty, provided that it does not occur in a context of high inequality in asset ownership.

Health is one of the major components of physical, social and mental well-being and remains one of the primary concerns of well-being. Good health is a crucial element of human development. Health is one main cause of poor performance of people in the agricultural sector in Africa. Therefore the health sector requires huge capital expenditure budgets (health facilities, training, medical equipment, etc.) and operating expenditure (remuneration of medical staff, drug purchase expenditure, etc.). It therefore seems that there is the need to increase the total expenditure given the rapid population growth in Africa. This is achieved with difficulty insofar as the share of total health expenditure as a percentage of GDP has remained below 6 percent since 1995 in all African regions with the exception of Southern Africa (FAO, 2014).

The preoccupation of this paper, therefore, is to provide link between rural financing, infrastructural investment, agricultural productivity and income inequality in some selected African countries. The specific objectives are; (i) to examine the impact of rural financing and infrastructural investment on agricultural productivity; (ii) to investigate the effect of agricultural productivity on income inequality.

Rural financing, Agricultural productivity and Infrastructural investment in Africa

In the 1960s, following the incidence of market failure, subsidized agricultural credit programs were popularized as a way to correct the market failures thought to be the cause for the small amount of credit allocated to agriculture. These programs usually set interest rate ceilings that undermined the health of the financial institutions delivering credit. Eventually this rather naïve supply-lending approach was largely declared a failure so by the 1980s, government failure replaced market failure as the fundamental problem (Adams et al., 1984). This fundamental problem gave birth to a new approach known as the financial system paradigm, which encompassed financial institutions, markets and instruments, the legal regulatory environment, and financial norms and behavior. The approach argued for relaxation of interest rate controls and developments at the micro, meso and macro levels. These views conveniently coincided with the emergence of microfinance that supplied small, usually non-collateralized, relatively high interest rate loans to the poor who lacked collateral required by banks.

Agricultural productivity is central to the lives of most Africans. Two-thirds of the population of sub-Saharan Africa is rural, and the FAO counts nearly half of sub-Saharan Africa's rural population as "economically active" in agriculture. For some countries, such as Burundi, Rwanda, Uganda and Burkina Faso, the rural population share approaches 85-90%, with 45-50% the total population counted as economically active in agriculture. Even among the most urbanized countries of sub-Saharan Africa, such as South Africa, one-third of the population remains rural. In addition, up to 80% of Africa's poor live in rural areas, nearly all of whom work primarily in agriculture (World Bank, 2000). For these producer groups, agricultural productivity is the key determinant of welfare, and agricultural productivity growth is the key hope for poverty reduction (at least in the short- to medium-term). Non-farm rural employment, too, is often closely linked to agriculture - either directly (as in the marketing of agricultural inputs and outputs), or indirectly (as in the provision of other services in rural markets). The indirect benefits of agricultural productivity growth, in the form of lower food prices, are also critical to the welfare of Africa's rapidly expanding urban populations, the poorest of whom devote 60-70% of total expenditures to food (Sahn, et. al., 1997).

Agriculture accounted for about 15 percent of Africa's GDP. This, notwithstanding, there is a wide variation in the share of GDP among African countries. For instance, the African Economic Outlook 2012 (AfDB et al, 2012) reported that agriculture contributed more than 72 percent to Liberia's GDP and other countries with high dependence on agriculture including Sierra Leone (61.5 percent), Central African Republic (55.2 percent), Comoros (44.9 percent), Nigeria (40 percent) and Democratic Republic of Congo (39.4 percent). On the other hand, the sector's contributions to GDP in some other countries are minimal, such as Equatorial Guinea (2.4 percent), Gabon (5.4 percent), Tunisia (8.9 percent), Namibia (9.4 percent) and Algeria (9.7 percent). In other words, the share of agriculture GDP is much higher in relatively poor countries, and thus, the sector is more critical for those countries in the context of inclusive growth.

From a macroeconomic perspective, as well, agriculture continues to play a central role in sub-Saharan Africa, accounting for 15% of total value added (20%, excluding South Africa). Of course, every generalization about sub-Saharan Africa and masks the region's vast heterogeneity. In Liberia, for example, agriculture accounts for 66% of total value added, while in other countries, such as oil-rich Angola, agriculture accounts for only 10% of the value added (World Bank, 2010).

A major determinant of agricultural productivity growth is infrastructure. This is evidenced - by the fact that AfDB tagged one of the pillars of its 2008-2012 - Medium Term Strategy is infrastructure. In addition to other factors such as human capita credit markets, extension services and technological research, the presence of reliable infrastructure increases both output per capita and output per unit of land. It is therefore a key contributor to productivity, mainly by reducing transaction costs in input and output markets, as well as better integrating markets within sub-regions. Three key areas of infrastructure that should be given attention are: (1) road networks; (2) irrigation technology; (3) post-harvest storage technology - as these all have a direct impact in boosting agricultural productivity. Other types of infrastructure (e.g. telecommunications and electricity supply) also play a major role, but their impact is more evenly dispersed across all sectors, less specifically targeting agriculture (AfDB, 2011a).

According to the Rural Accessibility Index, only 34% of the African rural population lives within two kilometers of rural roads, compared to 90 percent in East Asia and the Pacific countries (fifty nine percent of rural populations in Latin America have this type of access as well) (World Bank, 2007).The Africa Infrastructure Country Diagnostic (AICD) estimates that 39 million hectares of agricultural land in Africa is physically suitable for irrigation purposes. In addition, the CAADP notes that “in Africa, the percentage of arable land that is irrigated is seven percent (barely 3.7 percent in SSA), whereas percentages for South America, the East and South-East Asia and South Asia being 10 percent, 29 percent and 41 percent respectively”. In the area of telecommunication, Africa is making positive progress. In 2000, the continent had 11 million mobile cellular subscriptions and three million internet users. By the end of 2008, there were 32 million internet users, and 246 million mobile cellular subscriptions. The annual growth between 2003 and 2014 in both services in Africa has been in double digit rates, reaching a penetration rate of close to 41% (ITU, 2016). The total number of mobile-broadband subscriptions is expected to reach 3.6 billion by the end of 2016 (ITU, 2016).

Review of Related Studies

There is consistent evidence that agriculture-induced growth has the potential to deliver significantly greater positive impact on poverty reduction than growth based on other sectors (de Janvry and Saddoulet, 1996; Gallup et al, 1997; Timmer, 1997; Bourguignon and Morrisson, 1998; Thirtle et al, 2003; DFID, World Bank, 2005; Salami et al, 2010).

Thirtle et al (2003), in their study on the impact of agricultural productivity growth on poverty reduction, discovered that a percentage increase in agricultural yields reduces the number of poor people by 0.72 percent in Africa, far above 0.48 percent in Asia.

Gallup et al. (1997), in a cross-country examination of the relationship between growth and poverty, revealed that a 1 percent growth in per capita agricultural GDP resulted in 1.61 percent growth in the incomes of the poorest 20 percent of the population. They noted that similar increases in the manufacturing or service sectors contributed to much less impact on poverty reduction.

The strong linkages between agriculture and poverty reduction were further confirmed by Ligonand Sadoulet (2007) and magnified in the World Bank’s World Development Report (2008). Specifically, Ligon and Sadoulet (2007) found that a one-percent increase in GDP due to agriculture results in a more than 6% increase in expenditure growth for the poorest decile, with a significantly disproportionate effect on expenditure growth for all but the top two expenditure deciles. Conversely, non-agricultural income growth is disproportionately beneficial for the upper expenditure deciles, but has no significant effect on expenditure growth for households in the bottom 30 percent of the expenditure distribution.

According to IFPRI data, during the decade of 2000-2010, Africa's annual total GDP growth grew by an average of 4.8% compared, to 2.1% in the previous decade (1990-1999). The agricultural sector's annual GDP growth rates were 3.2% and 3.0%, respectively for the two decades. Although agriculture grew at a moderate rate, this growth has contributed to significant reductions in poverty in many African countries. As noted above, however, there is a long way before benefits of growth reach the majority of the rural poor. Agriculture-induced growth is paramount for inclusivity because it assists to ensure that most of the rural poor receive a share of the benefits of growth. By raising rural incomes and promoting the purchasing power of smallholder farmers, agriculture could maintain equitable and comprehensive growth and contribute to sustainable reduction of poverty in Africa (Benedict et al, 2014).

Fan, Hazell and Thorat (2000), carried out a research in India, considering the effect of infrastructure on agricultural productivity. They concluded that government expenditure on rural roads and agricultural research and extension promote greatest growth in agricultural productivity, while additional government spending on rural electrification has low productivity effects.

Fan, Jitsuchon and Methakunnavut (2004), pointed out that investment in rural electrification have the second largest impact on agricultural productivity growth after agricultural research and development in Thailand.

According to Fakayode et al. (2008), efficient infrastructure is considered indispensable to agricultural progress as it is certain that infrastructure reduce poverty, enhance economic growth and make development environmentally sustainable.

According to PCU-NFDO (2005), infrastructure such as transportation networks, electricity, safe water, and good health center play key role in promoting development. Improvement in any of these infrastructures increases the efficiency of production and contributes to standards of living.

Ahmed and Rustagi (1987) pointed out that rural infrastructure plays a crucial role in poverty reduction, economic growth and empowerment for the African rural poor.

According to Lipton (1977), since the rural areas majorly characterized by poor people and the source of income of these people are from their labour, it has often been argued that agricultural growth based on the introduction of labour-intensive technologies is very key in the fight against poverty in developing countries.

From the available literature, it is obvious that increase and improvement in rural infrastructure have the potential to enhance agricultural productivity, which will further lead to poverty reduction in the continent.

Data Sources and Model Specification

Choice of Variable and Data Sources

The data used in this analysis are annual time series on Gini coefficient (GINI) as a measure for income inequality; agricultural output (AO) as a measure of agricultural productivity; international bank for reconstruction and development loan (IBRDL) as a measure of rural financing; and infrastructural investment measured by health expenditure (HEXP) and electricity per capita (EPC) of ten African countries namely: Nigeria, Senegal, Kenya, Botswana, Ghana, South Africa, Gabon, Angola, Cote D'Ivoire and Ethiopia during the period of 2000 to 2015. All data are obtained from World Bank's World Development Indicators, 2016.

Model Specification

In order to analyze the objective of this paper, two models are used to capture the relationship that exists among the variables. The functional form of the model is specified as follow:

$$AO = f(IBRDL, AE, HEXP) \qquad (1a)$$

$$GINI = f(AO) \qquad (1b)$$

The mathematical log linear form is specified as follows:

$$LogAO_{it} = \beta_{0i} + \beta 1iLogIBRDLit + \beta_{2i}LogEPC_{it} + \beta_{3i}LogHEXP_{it} + \varepsilon_{it} \qquad (2a)$$

$$LogGINII_{it} = \alpha_{0i} + \alpha_{1i}LogAO_{it} + \varepsilon_{it} \qquad (2b)$$

Where,

$GINI_{it}$ = Gini coefficient of countries at time t

$IBRDL^{1}_{it}$= International bank for reconstruction and development loan of countries at time t
AO_{it} = Agricultural output of countries at time t
EPC_{it} = Electricity per capita of countries at time t
$HEXP_{it}$ = Health expenditure per capita of countries at time t
ε_{it} = Error term at time t
Log = Logarithm
t = 1, …, 15
i = 1,…, 10

Estimation Techniques and Procedures

The method of analysis is basically time series econometric. The Generalized least square (GLS) estimation technique is adopted in this study. Panel data analysis will be employed to estimate the models. Many studies (e.g. Rockoff (2004); Gallagher and Frith (2003)) have found that panel-based tests have higher power than tests based on individual series.

To determine whether a long run relationship exists between the dependent variable and the explanatory variables, Pedroni (1999, 2004) cointegration test was conducted.

In order to determine the presence of a unit root in individual country specific data, a standard Augmented Dickey Fuller (ADF) and Philip-Perron Tests are employed.

For a panel unit root, Levin, Lin and Chu (2002) and IPS (2003) tests were conducted. Both the panel tests include a constant and a heterogeneous time trend in their specifications. The series are generated by an I(1) process. Cointegration tests for all the sample individual countries are performed by using Johansen and Juselius (1990) method and for the panel by using the Pedroni (1999, 2004) procedure. In this context, Pedroni (2004) panel cointegration test has the advantage that it allows for heterogeneity across countries.

[1]IBRDL: IBRD provides loans to middle and low income countries. Due to the unavailability of data on rural financing from most of the African countries used in this study, we used IBRD loan as a proxy for rural financing.

Result and Discussion

Panel Unit Root Test

A prerequisite for implementing the Pedroni (2004) panel cointegration test is to establish that the variables are stationary. The results of the tests for unit roots (stationarity tests) are summarized in Table no. 1.

Table no. 1. Summary of Panel Unit Root Test Result

METHOD/ VARIABLE	GINI	AO	IBRDL	EPC	HEXP
LLC	-5.25723 (0.0000)*	-7.89752 (0.0000)*	-4.42938 (0.0000)*	-6.66200 (0.0000)*	-3.64322 (0.0000)*
IPS	-3.99803 (0.0000)*	-4.89316 (0.0810)	-3.13202 (0.0009)*	-5.28300 (0.0000)*	-4.41718 (0.0000)*
ADF-Fisher Chi Square	30.5236 (0.0002)*	61.3760 (0.0000)*	42.1978 (0.0026)*	65.3302 (0.0000)*	58.1996 (0.0000)*
PP-Fisher Chi Square	48.2454 (0.0000)*	65.6266 (0.0000)*	66.9880 (0.0000)*	129.927 (0.0000)*	130.596 (0.0000)*

Source: Computed by the author from E-views 8

Notes: LLC= Levin, Lin and Chu (2002), IPS = Im, Peseran and Shin (2003).
** denotes the rejection of the null hypothesis at 5% significance level.*
Probabilities are in brackets. The probabilities for Fisher tests are computed using asymptotic Chi Square distribution. All other tests assume asymptotic normality.

Panel Cointegration Test

Having established that the variables are stationary at first difference, I(1), the study proceeds to test whether there is a long run relationship among the variables. The Pedroni (2004) heterogeneous panel cointegration test is used. The results for the seven different panel test statistics suggested by Pedroni are reported in Table no. 2

Table no. 2. Summary of Pedroni Residual Cointegration Result

METHOD	STATISTICS	PROBABILITIES
Panel V Statistics	0.058107	0.4768
Panel rho Statistics	1.857463	0.9684
Panel PP Statistics	-1.878951	0.0301*
Panel ADF	-2.572405	0.0050*

Statistics		
Group rho Statistics	3.250040	0.9994
Group PP Statistics	-2.678554	0.0037*
Group ADF Statistics	-2.634857	0.0042*

Source: Computed by the author from E-views 8

** denotes the rejection of the null hypothesis at 5% significance level.*

Estimation

The result of the estimation for model (2a) is given in Table no. 3 (a) below.

Table no. 3(a). Model (2a) Estimation

Dependent Variable: (AO)

Variable	**Pooled**	**Fixed Effect Model (FEM)**	**Random Effect Model (REM)**
EPC	-2.231008(0.0000)	1.485404(0.0000)*	1.156176(0.0000)
HEXP	2.635311(0.0000)	1.154502(0.0000)*	1.232429(0.0000)
IBRDL	0.310740(0.0043)	0.057361(0.0854)	0.059175(0.0755)
C	18.69689(0.0000)	10.64767(0.0000)	12.04808(0.0000)
R^2	0.368417	0.981695	0.632226
F-stat	30.33283	656.9588	89.39115
Hausman Test	30.406101(0.0000 *)		

Source: Computed by the author from E-views 8

**denotes the rejection of the null hypothesis at 5% significance level.*

The result of the estimation for model (2b) is given in Table no. 3(b)

Table 3(b): Model (2b) Estimation

Dependent Variable: (GINI)

Variable	Pooled	Fixed Effect Model (FEM)	Random Effect Model (REM)
AO	0.033616(0.0000)	0.008741(0.1721)*	0.006134(0.0328)
C	4.655883(0.0000)	3.554143(0.0000)	3.621948(0.0000)
R^2	0.006116	0.944145	0.006116
F-stat	32.72935	251.8627	0.972246
Hausman Test	2.896482(0.0888)		

Source: Computed by the author from E-views 8

**denotes the rejection of the null hypothesis at 5% significance level.*

In Table no. 3(a) and 3(b), the pooled effect model was not adopted. This is because it fails to take into cognizance of either the individual characteristics or time characteristics of the countries selected (Heterogeneity).

In Table (3a), electricity per capita (EPC) and health expenditure per capita have positive relationship with agricultural output (AO) and also were both significant. 37% variation in AO can best be explained by the explanatory variable adopted. The choice for model interpretation was based on the Hausman test done which suggests that Fixed Effect Model is good fit as compared to random effect model. This is because the Hausman test p-value is less than 5%. On a close examination, IBRDL was found to be insignificant. The puzzle then is: can we say that the loans given are not properly used for the purpose it was meant for? Or can we say that in the various countries examined, there is a bottleneck in the access to these loans?

In Table (3b), AO has a positive relationship with GINI and also it is statistically significant. The choice for model interpretation was based on the Hausman test done which suggests that Random Effect Model is good fit as compared to fixed effect model. This is because the Hausman test p-value is greater than 5%. On a closer examination, the positive relationship between AO and GINI which indicate that a percent increase in AO will lead to a 6% increase in GINI hence, creating a wider inequality gap. The puzzle then is: can we say that the growth in agricultural output is not an inclusive-led growth?

Conclusions and policy recommendation

Going by the current African and international development agenda as captured by the first and second goals (ending poverty and overcoming hunger and food insecurity permanently), in the Sustainable Development Goals (SDGs) endorsed in September 2015 by the UN member States; in consonance with one of the ‘High 5’ priorities of the African Development Bank (AfDB), that is ‘Feed Africa’ priority, the bank aims to frame its agricultural operations within a business-oriented approach and improve food security in the continent; the right of all Africans to be well-nourished and live healthy and productive lives as stressed by the African Union Agenda 2063; and the call for a structural transformation of African agriculture as a pathway to growth and poverty eradication in the continent, as sited in the Comprehensive Africa Agricultural Development Programme (CAADP), as well as the June 2014 Malabo declaration, it became so paramount that an Agro-allied industrialization led growth is the pathway to achieving the various goals for the African continent. This gave birth to this current study.

The empirical findings that emanate from this study highlight various key policies that will be of importance to the various developmental institutions as well as individual government in the continent. First, the foundation for achieving an agro-allied industrialization led growth rest on the strength of the power sector. This can be deduce from the significant impact of electricity per capita on agricultural output in Table 3(a), above. Hence, there is need for the various States in the continent to improve on its electricity generation so as to meet the increasing demand of the growing populace. Policies that will attract foreign private investment should be encouraged since foreign investment capital is a vehicle for industrial growth in any developing country.

Second, the significant impact of health expenditure to agricultural output shows that government should increase the percentage of health expenditure to GDP in order to improve the health sector. Government should encourage public-private partnership in order to improve infrastructural investment in health facilities across the country.

In conclusion, government should ensure that significant fractions of the loans from International Bank for Reconstruction and Development (IBRD) should be channelled towards project that will help boost agricultural productivity in Africa. Proper enlightenment and awareness should be given to the general public on how to get the available loans for agricultural-based investment. Monitoring teams should be set up for proper supervision of how these loans are spent by the recipient.

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SERVICOM Policy, Workplace Deviance and Service Delivery in the Nigerian Airspace Management Agency

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Abstract
Lack of prompt and efficient service delivery has emerged as part of the criticisms leveled against public corporations in Nigeria. Perhaps, major fallout of this development has been the preponderance of employees in the sector to engage in various behaviors inimical to prompt and efficient service delivery. Unfortunately, deviance is a problem to the organizations due to its financial implication and detrimental effects on the organization’s image. However, SERVICOM policy was designed as measure to combat deviance behavior in public corporations in Nigeria. This study therefore evaluates the relationship between, SERVICOM policy, service delivery and workplace deviance in the Nigerian Airspace Management Agency (NAMA) using survey research method. A sample of 225 respondents was drawn from the 500 NAMA employees using accidental sampling technique. Data collected were tested and analyzed using descriptive, frequency distribution and regression analysis. The result of the hypotheses tested at 5% level of significance showed that there is a significant relationship between SERVICOM

policy, service delivery and workplace deviance. Thus, the study recommended that organizations and their management should give due attention to SERVICOM policy, ensure that their employees are sufficiently knowledgeable and satisfied with the policy in order to promote positive workplace deviant behavior in the organization.
Keywords: public sector; servicom policy; service delivery; workplace deviance.

Introduction

The Service Compact Policy otherwise known as the SERVICOM Policy is meant to protect all members of Nigerian society from nation-wide service failure and service delivery in line with government development strategies using the One-Stop Public Enquire Service Charters. SERVICOM has been set up by government to ensure quality, efficient service delivery to the public. The public has a right to be served right; to complain and to receive redress where there is a need to do so based on carefully worked out target outputs and outcomes . SERVICOM policy development involves the identification and analysis of a range of actions that respond to goals, problems or other concerns affecting employees and customers in an organization (Adegboola, 2016). In Nigerian Airspace Management Agency (NAMA) - created under Act 48 of 1999 of the Federal Republic of Nigeria, SERVICOM policy addresses identified problems that affect both employees and passengers. The solutions the policy offers are assessed against a number of factors such as probable work overload, poor salary and wages, poor working equipment and inefficient policy implementation. Therefore, SERVICOM policy in NAMA represents the end result of a decision by government on how best to achieve safe, efficient, economic and expeditious flight operations and management of the Nigerian airspace.

NAMA which is saddled with the core mandate as the nation's air navigation service provider is the bed rock of Nigeria Aviation Industry and this puts a great demand on the employees who are supposed to develop uniform and consistent Nigerian airspace to meet with international standards and practices. In recent times, employees of the agency have come under verbal attacks by passengers and the general public on accusation of insensitivity in their duties and lack of professionalism. Many passengers are scared of Nigeria airspace and flight operations because of incessant flight cancellations, delays and occasional air crashes. Relations of passengers take turn to hang around the airports since they do not trust their loved ones will get adequate care, particularly when flight operations are cancelled or delayed (Adetula, 2016).

The Federal Minister of Transportation, Rotimi Amaechi, in 2016 disclosed that the Agency has the challenge of limited resource for project developments and habitual negligence of projects and this could worsen the service delivery system in the aviation industry. He also remarked that Nigeria airspace safety is feasible through private sector participation towards the realization of the industry's potential and employee motivation (Adetula, 2015). However, the problems of NAMA are associated with the poor infrastructure, unsatisfactory working conditions characterized by short-staffing, poor salary structure and use of obsolete equipment and methods, unsafe workplace and lack of motivation for employees which affects service delivery to customers (Omoleke, 2012; Fortemus, 2015; Owoputii, 2015).

The employees of NAMA spend majority of their times at work and consequently, they are expected to derive a measure of satisfaction from there. It is therefore reasonable that the failure to obtain this desired satisfaction can turn the same environment from where happiness was expected to a ground for expressing frustration through deviant behavior exhibited by employees. These behaviors have dire consequences for NAMA, its employees and customers and the society at large. The consequences include financial costs such as loss of productivity due to slow work or sabotage and cost of replacing stolen or damaged property (Judge, Scott, Ilies, 2006; Akikibofori, 2013). Other costs could be psychological as co-workers who are targets of such deviant behavior are prone to stress, damaged self-esteem, apprehensiveness and insecurity at work, absenteeism and turnover (Omar, Halim, Zainah, Fahardi, Nasir, Khairudin, 2011). On a wider perspective, the incidence of workplace deviance in NAMA may have spiraling effects on potential employees and clients who may choose to refrain from having dealings with the organization whose employees act in an unruly manner.

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Methodology and Purpose of the study

The workplace counterproductive behavior is retaliatory workplace behavior in terms of financial theft, property theft and gross misappropriation of funds that breeds increased insecurity in Nigerian workplaces, conflict between employers and employees, lack of organizational future etc. With the prevalence and enormous costs attached to workplace deviance and the SERVICOM policy being not in tandem with workplace deviance and service delivery, the impact of SERVICOM policy on employee deviance and passengers' satisfaction to service delivery in NAMA is the focus of this study.

The population of this study comprised of the employees of Nigerian Airspace Management Agency (NAMA) who are two thousand and five hundred (2,500) in number (NAMA, 2009). However, for the purpose of maintaining a manageable size, NAMA headquarters, Lagos with the highest number of staff was used as sample. NAMA headquarter has an estimated staff strength of five hundred employees - full time employees ranging from grade levels four to fourteen (Junior and Senior level staff) were covered. The study using accidental sampling, selected two hundred and twenty five (225) respondents. Questionnaires were distributed to the 225 selected respondents. Split-half reliability estimate was obtained from index of workplace deviant behavior and service delivery, using Pearson Correlation Coefficient method. The result from the Pearson coefficient ranges from 0.77 to 0.91 which was regarded as high. Consequently, the instrument was considered reliable for this study. Data collected were tested and analyzed using frequency distribution and regression analysis.

Literature review

The study is based on the organizational theory by Wayne Smith (1977), Social Exchange Theory and Herzberg's Two-Factor Theory. The central ideas are that people behavior at work is driven by certain needs which in turn affects their service delivery; and that employees' belief in being treated fairly and given what they deserves motivate them to give more of themselves to the benefit of the organization and engage less in acts that are harmful to the organization and fellow employees. The needs for food, clothing, shelter and security are regarded as the most paramount for ensuring a person's survival. These and greater needs lead to the setting of goals by both, the employee and the employer (Cole, 1995).

Expectations differ from among employers and their employees based on different factors. Employees, as a fundamental part of organizational system have expectations of what they aspire to gain from performing their jobs and what they anticipate that their jobs will provide, while employers expectations is profit maximization through organizational goal achievement (Gruneberg, 1976). The expectations of the employees and the employer are subset of policy which governs service delivery and bring about customers satisfaction (Gruneberg, 1976; Veechio, 2006; Aziri, 2011; Parvin and Kabir, 2011).

Satisfaction is a very personal experience that depends heavily on an individual's expectations (Veechio, 2006). Customers' satisfaction describes the level of agreement between customers' expectations and the services provided (Davis and Newstrom, 1985). In other words, customers' satisfaction is determined by the extent to which service delivery meets or surpasses expectations (Luthans, 2011). A high correlation between the two will tend towards satisfaction for the customers, while disparity between the two may lead to dissatisfaction.

Public service delivery is failing in many areas in many developing countries, despite massive injections of international and domestic resources due to weak incentives for employees, and government bureaucratic bottle necks (Mcloughlin and Bately, 2012). The weak incentives have led to job dissatisfaction. Hussin (2011) cited in Kumari (2013), argued that the extent to which an employee's expectations are satisfied shows his/her emotional state which has a huge role to play in forming his/her behavior in the workplace - whether positive or negative as stated by Kidwell and Martin (2005) and Hussin (2011). Positive employee behavior is that which promotes the organization's wellbeing and performance, while negative behavior poses a threat to the organization's growth and success.

According to Fox and Spector (2005), one of the negative behaviors that could be expressed by employees is workplace deviance- which they perceive as any behavior that is opposed to mandated or accepted behaviors and which can harm an organization, its employees and its stakeholders. Consequently, job satisfaction could be a major determinant of employees' behavior in their organizations whether they exhibit favorable acts of discipline or express deviant workplace behavior. Some researchers have associated low levels of job satisfaction to weak incentive which breeds the problems of turnover and absenteeism (Korman, 1971; Gruneberg, 1976; Spector, 2000;

Newstrom, 2007). However, if the employee, for one reason or the other, cannot quit or withdraw physically from the job, the employee may be inclined to engage in acts of negativity or counterproductive behavior as a way of expressing frustration (Porter, Bigley and Steers, 2003). Therefore, workplace deviance presents a means for the employee to adjust to a frustrating and dissatisfying work experience (Judge, Scott and Ilies, 2006).

Workplace deviance that could be expressed by employees are in forms of sabotage, absenteeism, violence, theft, lateness to work, deliberately doing work incorrectly, tardiness and other deviances directed at supervisors or co-workers such as bullying, badmouthing, harmful pranks, impoliteness and arguing (Fagbohungbe, Akinbode and Ayodeji, 2012; Idiakheua and Obetoh, 2012). Lawrence and Robinson, (2007), analyzing the work of Harper (1990), reported that 33% to 75% of employees have engaged in behaviors such as vandalism, sabotage, unwarranted absenteeism and outright theft. These acts or counterproductive work behavior, or antisocial behavior, unethical behavior, dysfunctional behavior and organizational misbehavior are harmful to the organization and its stakeholders (O'Leary-Kelly, Duffy and Griffin, 2000, in Trevino and Brown, 2005). Tools and strategies used by stakeholders to achieve policy objectives and stop workplace deviance have evolved with governance to be that which meets both employees and customers' satisfaction (Hood, 2000; Zito, 2000). Salamon (2002) and Salmons (2002), argues that policy is a necessity for institutions life while its implementation is essential component of development necessary for a nation's economic growth and internal stability. The study further stressed that policy is a controller of negative workplace deviance and an improper service delivery.

The Nigerian organizations have become increasingly important, even as they face fundamental challenges in their service delivery patterns (McKee and Healy, 2002; Healy and McKee, 2002; Lee, Chen and Weiner, 2004). The organizations are governed by policy or a set of processes and tools relating to decision-making in steering the totality of institutional activity, influencing most major aspects of employee behavior and recognizing the complex relationships between multiple stakeholders (Richard, Saltman Antonio Durán Hans and Dubois, 2011; Buse, Mays and Wall, 2005, 2012). The policies governing the agency according to Richard, Saltman, Durá and Dubois (2011) has a scope that ranges from normative values (equity, ethics) to access, quality, passengers responsiveness and passenger safety dimensions. It also incorporates political, financial, managerial as well as daily operational issues. The interaction between employees and stakeholders in terms of policy and its implementation has always been critical in determining whether customers experience satisfaction or dissatisfaction in the provision of services delivery (Zangaro and Soeken, 2007). The provision of poor-quality service has often been attributed to employees' inadequate knowledge and skills compounded by corruption, system failures and low staff numbers. This has given rise to the need to tackle employees' deviant behavior, which also is noted as an essential part of strengthening the service delivery of organizations.

The Service Compact (SERVICOM) Policy has to do with service delivery, and it emanated from a technical assistance provided by the British Government through the DFID to the Federal Government (Olaopa, 2008). According to SERVICOM (2009), poor quality of public service and the evils of inefficiency and corruption, brought ineffective implementation of government policy and poor service delivery. SERVICOM policy drew a road map for service delivery programme which included the institutional environment for service delivery, a reflection on people's perception and experience of services. Its core provision is for service providers to dedicate themselves to providing the basic services to which each citizen is entitled in a timely, fair, honest, effective and transparent manner. The objective of SERVICOM is to meet the challenge of nation-wide service failure. For instance: (a). Government services were not serving the people; (b). Services were inaccessible, poor in quality and indifferent to citizen needs. SERVICOM is designed to make the Ministries, Departments and Agencies more customers focused in their service delivery procedures and processes; and to heighten public awareness to the damaging effects of service failure to the Nigerian society. It is also meant to encourage people to challenge service failure as their civic rights (SERVICOM, 2009).

Under the SERVICOM policy, each Ministry, Department, Agency and Parastatals has a Ministerial SERVICOM unit. The SERVICOM unit is responsible for spearheading the strategy for SERVICOM compliance through a review and monitoring mechanism that relies on SERVICOM Index. There is also in place a Customer Grievance Redress mechanism reinforced by the publishing of each Ministry or Departments' performance (Olaopa, 2008; Agboola, 2016;

Amechi, 2016; GroupsonPaul, Ukeje and Abumchukwu, 2016). Under SERVICOM, the civil service is expected to provide the basic services to which each citizen is entitled in a timely, fair, honest, effective and transparent manner. SERVICOM implementation has involved training, workshops, seminars and retreats for senior officers in the public service in order to sensitize this supervisory category of staff on the new orientation for the civil servants. Sanctions are to be imposed on public servants who fail to discharge their functions in accordance with established practice. SERVICOM is based on five fundamental principles: Conviction that Nigeria can only realize its full potential if citizens receive prompt and efficient services from the state, renewal of commitment to the service of the Nigerian Nation, consideration for the needs and rights of all Nigerians to enjoy social and economic advancement. A vow to deliver quality services based upon the needs of citizens. Dedication to providing the basic services to which each citizen is entitled in a timely, fair, honest, effective and transparent manner.

In addition to the above principles of SERVICOM, it has provided the following opportunities for both, the civil service and the public servant. First, it is another opportunity for public servants in Nigeria to rededicate themselves for selfless service to their clients with courtesy and with grace. Second, it presents another opportunity for repositioning the public service for more effective service delivery. Third, now that the general public has been or is about to be sensitized about its right to insist on qualitative service, and complaint – redress mechanisms abound, public servants will increasingly be conscious that public rating of their individual performance would form part of their performance evaluation (Phillip and Omonowa, 2015).

Services, until recently, were not considered to add value to an economy; as a result, measures of service delivery activities were not even included in the calculation of the gross national product (GDP) of a country. Instead, services were usually lumped into a miscellaneous or tertiary category behind agriculture, mining and manufacturing, particularly in the Third World or developing countries (Ejumudo, 2009; Ejumudo, 2010; Gundu, 2011). According to Ejumudo (2009), service delivery has become the focus of increasing managerial attention and represents a major portion of the economies of the world’s developed countries and is at the heart of organizational performance, whether in the public or private realm. The centrality of service delivery in public and private sector organizations and institutions is inextricably linked to the functionality, operationality, growth and development of societies, because such organizations and institutions exist in, operate and are shaped by their environments (Ejumudo, 2010). Service delivery therefore, requires management of stakeholders including external customers that expect real value for their money, employees or internal customers that are critical to external customers' satisfaction and loyalty, suppliers, creditors, regulators and the like (Cadozo, 1965; Cayer, 2002; Cayer, 2005; Soonhee, 2009; Oyibo 2010; Ibietan, 2013).

According Ejumudo (2010), service delivery in the public sector is bedeviled by poor performance despite the expectations of the public and the strategic role the sector plays. Ejumudo (2009) further stressed that Nigerians have been short changed by the quality of public service delivery. Governmental organizations have over the years been showcases for the combined evils of inefficiency, ineffectiveness, poor in quality and indifferent to customers' needs, lawlessness and corruption and, as a consequence, impediments to effective implementation of government policies (Brynard, 2003; Diefenbach, 2009; African Association for Public Administration and Management, AAPAM, 2003).

In line with the literature review, the following objectives and hypotheses were formulated for the study:

1. To evaluate the effect of SERVICOM Policy on employees' deviant behavior.

2. To examine the role of employees' deviance on service delivery.

3. To assess the effect of employees' deviant behavior on passengers' satisfaction.

4. To investigate the role of service delivery on passengers' satisfaction.

Hypotheses of the study:

H_1: SERVICOM Policy does not have a significant effect on NAMA employees' deviant behavior.

H_2: NAMA employees' deviance behavior does not have a significant effect on service delivery.

H_3: NAMA employees 'deviant behavior does not have a significant effect on passengers' satisfaction.

H_4: Service delivery by NAMA employees does not have a significant effect on passengers' satisfaction.

Results of the study

Demographic Characteristics of the Sample

In terms of demographic spread of the respondents, 12.3% are males, while 87.7% are females; this shows that both genders were represented in the study. Age of respondents in the study varied from 20 years and above with age bracket of 30-39 years being the modal age. The marital status of the respondents showed that majority of the respondents (76.1%) were married, while the divorced (0.4%) and separated (0.4%) provided the least representation under this categorization.

In relation to their spouses' occupation, half of the sample (50.2%) identified the civil service as their spouses' occupation. With regard to the number of their children, majority of the respondents (30.1%) have a minimum of 4 children. In terms of working experience, 33.2% of the respondents have worked for between 1-5 years, 26.2% for between 6-10 years, 12.5% for between 11-16 years, 8.9% for 17-22 years, 11.1% for 23-28 years, while 8.1% for between 29 years and above. Thus it can be inferred that majority of the respondents have been working for an upward of 5 years.

Respondents were asked to provide their educational background, among which 13.7% were in the National Diploma category, 22.5% were first degree holders, 36.3% hold professional qualifications in addition to their first degree while 27.5% hold higher degrees. This shows that the respondents are well educated to know the relevance and implication of the study. The monthly income of the respondents ranged from ₦40.000 and above with majority of the respondents (47.0%) within the ₦80,000-₦120,000 range, while the minority (8.2%) fell with the ₦162,000- ₦202,000 range. This shows a wide spread of compensation in the organization. However, in terms of last time of promotion, 46.2% of the respondents admitted that they have been promoted in the last three years, 40.6% for between 4-6 years, 9.1% for between 7-9 years, while 4.1% for 10 years or more. Thus it can be deduced that the organization recognizes the importance of employee welfare.

Testing of Hypotheses

The hypotheses postulated that:

H_1: SERVICOM Policy does not have a significant effect on NAMA employees' deviant behavior;

H_2: NAMA employees' deviance behavior does not have a significant effect on service delivery;
H_3: NAMA employees' deviant behavior does not have a significant effect on passengers' satisfaction;
H_4: Service delivery by NAMA employees does not have a significant effect on passengers' satisfaction. The foregoing hypotheses were tested using the moderated regression analysis.

The results of the hypotheses could be found in table no. 1.

Table no. 1. Moderated Regression Analysis showing the effects of the independent variables on the dependents variables

Dependent Variable	**Independent Variable**	***F***	***R***	***R²***	***Adj-R²***	***Beta***	**T-Value**
Deviant Behaviors	SERVICOM Policy	42.264	.360	.130	.127	.397	6.501
Service Delivery	Deviant Behaviors	163.004	.605	.365	.363	.555	12.767
Passenger Satisfaction	Deviant Behaviors	186.323	630	.397	395	.545	13.650
Passenger Satisfaction	Service Delivery	199.362	643	.413	411	.605	14.120

Source: Field Survey, 2017

In relation to the first hypothesis which states that SERVICOM Policy does not have a significant effect on NAMA employees' deviant behavior; the results show that the correlation coefficient (0.360) indicates a positive and statistically significant relationship between the predictor (SERVICOM policies) and the response variable (employees' deviant behavior). The R-squared statistic as explained by the fitted model implies that about 13.0% of the total variation in measure of deviance of NAMA employees is explained by the variations in service delivery. The ANOVA results for SERVICOM policies as predictor of deviance of employees is statistically significant with F-value of 42.264 and p-value of 0.000. The regression coefficient, t statistic and p value for the model implies that SERVICOM policies (β=0.397, t=6.501, p=0.000) exerts a positive and statistically significant effect on deviance behavior of NAMA employees. Therefore, the null hypothesis is rejected.

In relation to the second hypothesis which states that NAMA employees' deviance behavior does not have a significant effect on service delivery, the results show the correlation coefficient (0.605) indicates a positive and statistically significant relationship between the predictor (deviant behavior of NAMA employees) and the response variable (service delivery). The R-squared statistic as explained by the fitted model implies that about 36.5% of the total variation in measure of service delivery is explained by the variations in deviant behavior of NAMA employees. The ANOVA results for deviant behavior of employees as predictor of service delivery is statistically significant with F-value of 163.004 and p-value of 0.000. The regression coefficient, t statistic and p value for the model implies that deviant behavior of NAMA employees (β=0.555, t=12.767, p=0.000) exerts a positive and statistically significant effect on service delivery. Therefore, the null hypothesis is rejected.

In relation to the third hypothesis which states that NAMA employees' deviant behavior does not have a significant effect on passengers' satisfaction, the results show that the correlation coefficient (0.630) indicates a positive and statistically significant relationship between the predictor (deviant behavior of NAMA employees) and the response variable (passengers satisfaction). The R-squared statistic as explained by the fitted model implies that about 39.7% of the total variation in measure of passengers' satisfaction is explained by the variations in deviance behavior of NAMA employees. The ANOVA results for deviance of NAMA employees as predictor of service delivery is statistically significant with F-value of 186.323 and p-value of 0.000. The regression coefficient, t statistic and p value for the model implies that deviance of NAMA employees (β=0.545, t=13.650, p=0.000) exerts a positive and statistically significant effect on passengers satisfaction. Therefore, the null hypothesis is rejected.

In relation to the fourth hypothesis which states that service delivery by NAMA employees does not have a significant effect on passengers' satisfaction, the results show that the correlation coefficient (0.643) indicates a positive and statistically significant relationship between the predictor (service delivery) and the response variable (passenger satisfaction). The R-squared statistic as explained by the fitted model implies that about 41.3% of the total variation in measure of passenger satisfaction is explained by the variations in service delivery. The ANOVA results for deviance of NAMA employees as predictor of service delivery is statistically significant with F-value of 199.362 and p-value of 0.000. The regression coefficient, t statistic and p value for the model implies that service delivery (β=0.605, t=14.120, p=0.000) exerts a positive and statistically significant effect on passengers satisfaction. Therefore, the null hypothesis is rejected.

Discussion

The results amongst others showed that SERVICOM Policy does have a significant effect on NAMA employees' deviant work behavior. This supports Parker and Rutter (2011) in Durose and Richardson (2016) and Biskland, (2005), that policies are discrete intervention with the aim to achieve certain broad strategic objectives, while Buse, Mays and Walt (2006) define policies as actions and sometimes inactions that affect institutions, organizations, services and funding arrangements of the agency.

Secondly, the results showed that deviant behavior of NAMA employees do have a significant effect on service delivery in Nigerian Airspace Management Agency. This finding is in agreement with Ajzen (2002) that deviance has a strong influence on an individual's actual behavior and that it can also influence the quality of service delivery (Burdia, Restubog and Tang, 2008).

Thirdly, the results showed that NAMA employees' deviance do have a significant effect on passengers' satisfaction in the Nigerian Airspace Management Agency. This position is contrary to the findings that passengers' satisfaction with NAMA services is the most important predictor of overall satisfaction with Airport care (Maduranga and Anuja, 2015). However, D'Ambruoso, Abbey and Hussein (2005), argues that passengers expect human professional and courteous treatment from airports workers and only a reasonable standard of physical environment. The former position is confirmed by Hammes, Walsh and Schiller (2016); Purdy (2008), in their argument that deviance can make or break an institution, just as Burdia, Restubog and Tang (2008) opines that deviance can affect service delivery.

Fourthly, the results showed that service delivery do have a significant effect on passenger satisfaction in Nigerian Airspace Management. The findings is in agreement with Rafi, Hajinezhad and Haghani's (2007) views that the deviant behavior such as friendly personality, kindness, fast response to passengers' needs etc can increase passengers' satisfaction and quality of service delivery.

Conclusion

Policy as an issue is critical especially as it concerns the Nigerian Airspace Management Agency and the perceived deviant behavior of its employees with respect to service delivery. The study have revealed through its perceived findings that policy has a negative effect on the NAMA employees and this has inadvertently affected their attitude towards the passengers as confirmed in their responses to the research instrument (questionnaire). Though it is critical to satisfy passengers who are the customers at the airports, it has been observed that passengers are often not satisfied (Bahrampour and Zolala, 2005).

Summarily, Rispel and Moorman (2013) argues that as long as NAMA employees are persistently exposed to unpleasant working conditions that are stressful with low pay, they might be demotivated and become unable to satisfy their clients. Tzeng (2002) in collaborating with Rispel and Moorman (2013) suggests that satisfied employees tend to be more productive and committed to their jobs. Deviant behavior has a strong influence on an individual and on the quality of the result of his or her work.

Considering the fact that the passengers are the most important client in the aviation industry and that determines how excellent the service delivery of a Nigerian Airspace Management Agency should be; the employees being the major care taker of the passengers should desist from deviant behavior and strive to treat passengers as ‘‘kings’’ through efficient and result oriented service delivery. The employer (NAMA) on the other hand must ensure that the employees are well motivated in terms of providing good terms and working conditions in order to discourage them from engaging in deviant behavior that is inimical to the good image and reputation of the Nigerian Airspace Management Agency (NAMA).

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Public Expenditure and Economic Growth in Nigeria: An Application of Co-Integration and Error Correction Modeling

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Abstract

This study investigates the relationship between public expenditure and economic growth in Nigeria. The long run equilibrium relationship and the direction of causality were estimated using co-integration and granger causality models respectively. The result of the co-integration analysis indicates that there is no co-integrating relationship between public expenditure and real GDP in Nigeria. Similarly, the result of the Granger causality tests reveals that neither public expenditure Granger causes real GDP, nor real GDP Granger cause public expenditure. The study concludes that there is no long run relationship between government expenditure and economic growth in Nigeria and that government expenditure and economic growth are both independent, implying that causality does not run from government expenditure to economic growth or vice versa. The study attributes this finding to some leakages in governments' administration and execution of public expenditure. Based on this finding, the study recommends that government should demonstrate strong commitment in the implementation of public expenditure. This could be achieved through a prudent, transparent and accountable public expenditure.

Keywords: Public Expenditure; Economic Growth; Co-Integration Analysis; Granger Causality Test; Nigeria.

Introduction

After gaining political independence, governments of most developing countries including those of Africa embarked on expansionary public expenditure so as to meet the ever increasing demands of their citizens. As observed by Tanzi (1994), countries often use public expenditure as a fiscal policy instrument to influence the working of the economic system in order to maximize economic welfare with the overriding objective of long term economic growth and development of their economies. As argued by Nworji et. al. (2012), for a developing country to break the vicious circle of poverty, economic growth must be sustained. This perhaps explained the seemingly increased growth in public expenditure by most governments regardless of their level of economic development (Akpan, 2011).

For over five decades since gaining independence from Britain in 1960, successive governments in Nigeria engaged in expansionary public expenditure with the urgent goal of accelerating the pace of economic growth and development. Government expenditure in the economy gained a considerable momentum with the discovery of commercial quantities of crude oil in the 1970s which provided the country with huge foreign revenues. In particular, government expenditure in Nigeria has continued to rise due to huge oil receipts from production and sale of crude oil and increased demand for public goods such as roads, communication, power, education and health as well as the increased need for internal and external security to the citizens and the country (Nurudeen and Usman, 2010). The possible reason for the expansionary expenditure is the governments' own claim in the Forth National Development Plan that "the basic strategy will be that of using the resources generated from this wasting asset to ensure an all round expansion in the productive capacity of the economy so as to lay a solid foundation for self sustaining growth and development in the shortest possible time" (Ayodele, 1987).

Available statistics from Central Bank of Nigeria Statistical Bulletin (2009) have shown that both, Nigeria's capital and recurrent expenditure has maintained a risen trend over the past five decades. For instance, with a government expenditure of N163.90 million in 1961, the expenditure steadily increased to N755.96 million in 1969 representing an increase of 461% (or an annual increase of 46.1%). Similarly, the country's expenditure steadily increased from N997.20 million in 1971 to N7,406.70 million in 1979 which represents an annual increase of 83% and by 1980, the expenditure has more than doubled to N14,968.50 million. With the return of the country to democratic rule in 1999, the country's expenditure witnessed a phenomenal risen trend. For instance, from N947,690.00 million in 1999, the government expenditure grew steadily to N3,456,925.40 million in 2009 representing an increase of 365.77% (CBN, 2009). This risen expenditure has rekindled debates and spawns empirical investigations as to the nature of the relationship between government expenditure and economic growth, as well as to whether growth in government expenditure causes growth in the economy.

Many empirical studies such as Nuruddeen and Usman (2010), Akpan (2011), Taiwo and Abayomi (2011), Nworji et. al. (2012) and lately Aladajare (2013) have examined the nature of the relationship between government expenditure and economic growth in Nigeria. Unfortunately, challenges still remain. To the best of our knowledge, all the studies suffer from one common fundamental shortcoming. The studies omitted the complementary role and influence of some other variables in their analysis which the literature indicates to exerts positive influence on economic growth. It is well known in the literature that economic growth in developing countries depends crucially on some important policy variables such as foreign direct investments (FDI), traded openness and savings (Iqbal and Zahid, 1998; Shabir and Mahmud, 1992). Failure to account for these omitted variables in government expenditure - economic growth nexus often produce misleading causal relationship among variables and in general leads to biased results (Loizides and Vamvoukas, 2004; Ahsan et. al. 1992).

The contribution of this paper is to examine the nature of the relationship and direction of causality between government expenditure and economic growth in Nigeria by taking into account important policy variables of trade openness, savings and FDI.

Methodology and Purpose of the Study

This study examines the long run relationship between public expenditure and economic growth in Nigeria. Data for the study was mainly secondary sources obtained from the Central Bank of Nigeria's Statistical Bulletin (2009) covering 1970 to 2009. Following Ghali (1997), Loizieds and Vamvoukas (2004), Nurudeen and Usman (2010) and Aladajare (2013), the study utilized, Co-integration analysis and Granger causality tests to analyze the data using STATA software. Specifically, Johansen Co-integration model and Error Correction mechanism is the model used for this study. The choice of this model is based on its ability to be runned on more than two variables (multivariate) and it allows for testing of hypothesis on the integration relationship of variables (Brooks, 2008).

The functional relationship of the Johansen co-integration and error correction model is given by:

$$\Delta Y_t = \mu + \Sigma \acute{\Gamma} \Delta Y_{t-1} + \alpha\beta Y_{t-1} + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (1)$$

where:

$Y_t = (n*1)$, vector of non stationary indices in the study

$\acute{\Gamma} = (n*n)$, matrix of coefficients

$\alpha = (n*r)$, matrix of error correction coefficients where r is the number of co-integrating relationships in the variables, so that $0 < r < n$, known as the adjustment parameter, which measures the speed at which variables adjust to their equilibrium.

$B = (n*r)$, matrix of r co-integrating vectors so that $0 < r < n$, representing the long run co-integrating relationship between the variables.

ε = the error term

According to Brooks (2008), Johansen defines two types of test statistics for co-integration under his method. The first is the Trace Test which is a joint test that tests the null hypothesis of no co integration between variables (H0: r = 0) against the alternative hypothesis of co-integration relationship (H1: r > 0). The second is the Maximum Eigen value Test which tests the null hypothesis that the number of co-integrating vectors is equal to *r* against the alternative of *r+1* co-integrating vectors.

$$\gamma trace\ (r) = -T\sum_{i=r+1}^{n} \text{In}(1-\gamma i) \ldots\ldots (2)$$

$$\gamma \max(r, r+1) = -T\ In\ (1-\varphi r+1) \ldots\ldots (3)$$

r = number of co-integrating vectors under the null

γ = estimated ith ordered eigenvalue from the $\alpha\beta$ matrices

The decision rule is that if both the maximum eigenvalue and trace statistics are greater than the critical value statistics at 5 %, there exists a co-integrating relationship between the variables. However, in the absence of existence of any co-integrating vector between variables over the time period, it may be that the variables are causally related in the short run. In other words, when the presence of long run relationship between variables cannot be established, causality in the form of ECM cannot be used and standard VAR Granger causality should be used to detect the direction of causality between the variables. For our first pair wise model, the VAR Granger causality equation is given by:

$$\Delta LTEXP_t = \alpha_i + \Sigma\varphi_i \Delta LRGDP_{t-1} + \Sigma\vartheta j\ \Delta LTEXP_{t-j} + \mu_{1t} \ldots (4)$$

$$\Delta LRGDP_t = \alpha_i + \Sigma\varphi_i \Delta LTEXP_{t-1} + \Sigma\vartheta j\ \Delta LRGDP_{t-j} + \mu_{2t} \ldots (5)$$

Where:

$\alpha_{i\ and}\ \alpha_i$ = regression coefficients

$\Delta LTEXP_t$ = first differenced value of the log of total government expenditure at time, t.

$\Sigma\varphi_i\ \Delta LRGDP_{t-1}$ = vector of the first differenced lagged value of the log of real GDP.

$\Sigma\varphi_i\ \Delta LTEXP_{t-1}$ = vector of the first differenced lagged value of the log of total government expenditure.

$\Delta LRGDP_t$ = first differenced value of the log of real GDP at time t.

$\mu_{1t} + \mu_{2t}$ = uncorrelated white noice series.

To avoid spurious results in co-integration analysis which is often due to non stationarity of macroeconomic time series data (Gujirati, 1995), the time series in its level form should be non stationary and integrated of order 1, written as *I* (1) which means the series become stationary after differencing it once (Meggiora and Sperkman, 2009). Thus, before conducting the Johansen co-integration analysis, we first conducted stationarity tests on our time series. In other words, tested for a unit root to find out if our time series data is stationary or non stationary.

The most widely used stationarity techniques are the Dickey-Fuller (DF), Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests. In order to validate this characteristics in our time series data, the study used Phillips-Perron (PP) unit root tests and tested each time series individually to ensure non stationarity at the level of the data, and also runned the unit root test on the first difference to ensure *I* (1). We use PP test because it includes an automatic correction to the DF process for auto correlated residuals (Vanegas and Robertico, 2007) while it also takes care of structural break in a time series variable (Garba, et. al., 2009). The PP test is given by:

$$lY_t = \beta_1 + \beta_2 t + \alpha \sum lY_{t-1} + \mu_i \quad \text{……………………………..…..(6)}$$

where;

lY_t = the log values of real GDP.

β_1 = estimated constant intercept.

β_2 = estimated coefficient of the trend variable.

t = a trend variable.

α_t = vector of the estimated parameters of log values of real GDP.

$\sum Y_{t-1}$ = vector of the log values of real GDP.

μ_i = error term

If α is less than one in absolute value ($|\alpha|<1$), then the time path is stationary, and the time path of Y_t will fluctuate around a constant mean value and therefore will not have an upward or downward trend; on the other hand, if α is greater than one in absolute value ($|\alpha|>1$), the series will be explosive and the time path is non-stationary (Gujarati and Sangeetha, 2008). However, if α is equal to one in absolute value (($|\alpha|=1$), the time path of Y_t is non-stationary, and unit root exists. The null hypothesis is that the time series has a unit root ($H0$: $\alpha = 0$) and the alternative is that the series is trend stationary ($H1$: $\alpha < 0$). The null hypothesis of non-stationarity is rejected if the t-statistic is more than the critical t-value. Equation (2) would be repeated for total government expenditure, total capital expenditure, total recurrent expenditure, total FDI, total savings and trade openness.

Theoretical Framework

Several theories have been advanced to underpin the nature of the relationship and causality among government expenditure and economic growth**.** The classical view could be traced to Smith (1776) and Ricardo (1821). These economists pioneered the notion that expansive government expenditure results in lowering economic growth. The scholars believed in the principle of *laissez faire* approach in economic activities regarding maximum government intervention as interference with the free market situation which would hinder economic progress. The maximum intervention in expenditure, Smiths believed should be limited to the fundamental functions of government: protecting the society from the violence and invasion of other independent societies, protecting every member of the society from the injustice of operation of every other member of it and erecting and maintaining those public works which are very essential to the society and which no single individual or small group of individuals could erect and maintain. This implies that apart from expenditure on the general administration, defense (both internal and external), as well as expenditure on the provision of public goods and services which no single or a group of individuals can advantageously provide to the economy, any other government expenditure entails an intervention in an economy and would not lead to economic growth.

Some scholars support Smiths claim of negative impact of excessive government expenditure on economic growth through a different dimension. Nimedi et. al. (2012) for instance argued that the negative effect of expansive government expenditure on economic growth results through increase in taxes and/or borrowing. According to him, in an attempt to finance rising expenditure, government may resort to increase in taxes or borrowing. The scholar advanced two negative effect of this scenario that would lead to lowering of economic growth. One, higher income tax may discourage individuals from working for long hours or even taking up appointment which reduces income and aggregate demand. Two, higher profit tax tends to increase production costs thereby reducing firms expenditure and investments thereby reducing firms sales volume and profit subsequently lowering production, employment and economic growth. Arguing on the borrowing effect of government expenditure on economic growth, Laudau (1986), Eugen and Skinner (1992), Folster and Henrekson (2001), Dar and AmirkhalKhali (2002) and Nimedi et. al. (2012)

stressed that if the borrowing is from banks and other financial institutions, it will crowd-out private sector, thus reducing private investment and subsequently lowering productivity and economic growth. These scholars submitted that government expenditure often turns into inefficient expenditure which causes distortion in allocation of resources and corruption.

The Wagnerian view attributed to Adolph Wagner (1883) attempts to explore the causal relationship between government expenditure and economic growth. According to him, as the real income (economic growth) increases there is the long run tendency for government expenditure to increase relative to national income. In other words, there is a functional relationship between economic growth (growth in the per capita income) and government expenditure with the causality running from per capita income to government expenditure and not vice versa. Supporting this view, Ogba and Likita (1999) argued that when economy grows, there will be increase in the number of urban centers with the associated increase in social vices such as crime, which requires government intervention in the area of internal security to maintain law and order. This intervention, according to them, has associated costs leading to increase in public expenditure in the economy.

The Neoclassical view otherwise known as the Keynesian view holds rather an opposing view regarding the relationship and direction of causality between government expenditure and economic growth. Keynes posits that increase in government expenditure results in higher growth of the economy. Commenting on this issue, Nworji et. al. (2012) and Dermibas (1999) stated that Keynes viewed public expenditure as a fiscal policy instrument necessary for achieving short term stability and long term economic growth. In addition, it can help in overcoming the inefficiencies of the market system in the allocation of resources as well as influences the level of employment and price stability (Szorowska, 2011). Some scholars who also support the Keynesian claim regarded increase in government expenditure as instrument that provides insurance protection to private assets thus encouraging economic growth, Ram (1986), Kormendi and Merguire (1986) for instance argued that expansive government expenditure provides insurance function to private property there by encouraging private investment which cause economic growth.

Literature Review

This section reviews empirical literature on the relationship between government expenditure and economic growth around the world. To start with, Loizides and Vamvoukas (2004) examined the nature of causality between government expenditure and economic growth using annual time series data of UK, Greece and Ireland. In particular, they examined whether the relative size of government, measured as the share of total expenditure in Gross National Product (GNP), can be determined to Granger cause the rate of economic growth or if the rate of economic growth can be determined to Granger cause the relative size of government expenditure. The study proxied economic growth as income measured as the real per capita GNP at market prices while real government expenditure is measured as public authorities' expenditure on goods and services (including transfer payments) i.e consumption and gross fixed capital formation. The study also used unemployment calculated as unemployed persons divided by the working population and inflation measured as the sale price index and its change. Using Johansen co-integration analysis and Granger causality tests, the study found that, in both the short run and long run estimations, public expenditure Granger causes growth in national income in all the countries under the study. The study further reveals that in the case of Greece, increase in economic growth fosters increase in public expenditure, thus lending support to Wagner hypothesis that increased output causes growth in public expenditure. This pattern of causality, they further stated was found in the case of UK when inflation as a control variable was included in the model. However, the results for Ireland do not indicated any support for the Wagnerian view.

In another cross country analysis involving seven countries of South East Asia, Alexiou (2009) evaluated the impact of government expenditure on economic growth covering the 1995-2005 periods. The study employed the technique of ordinary least square regression in the estimation. The results indicate that government spending on capital formation and development assistance impacted positively on economic growth in all the countries under the study. The results also show that both private investments and trade openness also impacted positively on economic growth in the region. However, the population growth variable (labour force) was found to be statistically insignificant in all the estimated models. He attributed the negative finding to low labour mobility in the transition economies due to distortion in the housing market. The author submitted that government spending in what ever form it is envisaged, is a mechanism for the promotion of economic growth.

Employing International Standard Classification of the Functions of Government (COFOG), Szarouska (2011) undertook a research on the relationship between government spending and economic growth in the Czech Republic involving data covering 1995 to 2008. The study examined the relationship between economic growth (proxied as GDP) and the COFOG ten components of governments spending: general public services, defense, public order and safety, economic affairs, environmental protection, housing and commerce, health, recreation and culture, education and social protection. Co-integration and Error Correction Modeling (ECM) was used in the analysis of data generated. The results show the existence of co-integration relationship between GDP and total government spending, public order and safety, and economic affairs spending functions. However, the tests indicate the non existence of co-integration relationship between GDP and the other components of government included in the model. He submitted that in the long run, increase in government total spending, spending in general public services, public order and safety, and economic affairs increases GDP and while such increases cannot be established in the case of increase in government spending on defense, environmental protection, housing and commerce, health, recreation and culture, education as well as social protection.

The nexus between governments spending and economic growth has recently received the attention of the Nigerian researchers. Babatunde (2007) tested whether government size and economic growth co-integrate using an annual time series data covering 1970-2006. He employed real government expenditure per capita as proxy for government expenditure. In the case of proxy economic growth, he used national income per capita. Using Auto Regressive Distributive Lag (ARDL) model of bound testing approach, the study shows that there is no co-integration relationship between government expenditure and economic growth in Nigeria. In addition, the results of the Granger causality tests indicate that in most cases, government expenditure and economic growth are independent of each other. However, in few cases, the Granger causality tests indicate that causality runs from government expenditure to economic growth.

Nurudeen and Usman (2010) investigated the effect of government spending on economic growth in a disaggregated analysis that examined total government expenditure, total recurrent expenditure, total government expenditure on health, on education, on transport and communication. They also included in their analysis inflation and overall fiscal balance to isolate their effect on economic growth. The study analyzed the time series data generated on these variables over the 1970 – 2008 period using co-integration and ECM. It found that governments total capital expenditure, total recurrent expenditure and government expenditure on education have negative effect on economic growth. The study also found that government expenditure on health, on transport and communication results in increase on economic growth.

In a study, still on Nigeria, Akpan (2011) investigated the validity of Wagner's law of long rung causal relationship between national income and public expenditure over the 1970-2008. The author employed the technique of Auto Regressive Distributive Lag (ARDL) model of co-integration and VEC model to tests the long run linear relationship between the variables and Granger causality test to determine the nature of causality among the variables. His analysis reveals that a long run relationship exists between national income as a measure of economic growth and public expenditure. The analysis further reveals that in the long run, there is unidirectional causal relationship from national income (economic growth) to public expenditure in Nigeria. However, in the short run the results indicate that public expenditure Granger causes economic growth which validates the Keynesian view.

In a study covering 1970-2009, Nworji et. al. (2012) using OLS examined the impact of government expenditure on economic growth in Nigeria. In particular, the study examined the effect of government capital and recurrent expenditure on economic services, social and community services and transfers on economic growth measured as growth in GDP. The study found that while both governments' capital and recurrent expenditures on economic services were inversely related to economic growth implying a negative effect, the capital and recurrent expenditures on social community services as well as expenditures on transfers has direct relationship with economic growth implying a positive effect. The study concluded that there is a positive relationship between government expenditure and economic growth and that government expenditure exerts significant effect on economic growth.

The causal relationship and dynamic interactions between economic growth and government expenditure in Nigeria was also examined by Aladajare (2013) over the 1962 -2010 period. The study used real GDP as an indicator of economic growth while government capital and recurrent expenditure proxied for government spending. The results of the VEC model and Granger causality tests indicate that economic growth spur government expenditure which validates Wagnerian hypothesis. In other words, government capital expenditure Granger causes economic growth. The results further show that the causal effect of economic growth on government capital expenditure is more significant when compared with the government recurrent expenditure. However, growth in government recurrent expenditure does not bring about significant growth in the economy.

Results

To begin with, we present results of the stationarity test conducted on the time series variables. Table no.1 shows the result of the PP test conducted on the series in logrithmic form with and without a tend.

Table no. 1. Stationarity Test at Level Values

	Without Trend	**With Trend**
Variables	PP Test Sta.	PP Test Sta.
Real GDP	(2.087)*	(−1.894)
Total Expenditure	(4.637)***	(−2.399)
Capital Expenditure	(2.765)***	(−2.541)
Recurrent Expenditure	(5.558)***	(−2.652)
Foreign Direct Investment	(3.531)***	(−2.207)
Total Savings	(0.528)	(−1.530)
Trade Openness	(0.174)	(−1.819)

Source: Author’s calculation using STATA software, version 9.1

***Note: S**ignificant at 1% (***) and 10% (*) level of significance.*

As seen in Table no.1, non of the variables is stationary at level values when time trend is included in the model. Thus, we accepted our null hypotheiss of non stationarity of the variables. We then proceeded and took the first difference of the series and re-run the PP tests. The regression’s results are presented in Table no. 2.

Table no. 2. Stationarity Test at First Difference

	Without Trend	With Trend
Variables	PP Test Sta.	PP Test Sta.
Real GDP	(−7.316)***	(−9.796)***
Total Expenditure	(−3.969)***	(−6.676)***
Capital Expenditure	(−5.092)***	(−6.348)***
Recurrent Expenditure	(−3.752)***	(−6.243)***
Foreign Direct Investment	(−7.410)***	(−8.650)***
Total savings	(−4.147)**	(−4.261)**
Trade openness	(−7.117)***	(−7.297)***

Source: Author’s calculation using STATA software, version 9.1
Note: *Significant at 1% (***) and 5% (**) of significance.*

Table no. 2 reveals that after first diferencing, all the variables were stationary at 1 per cent level except total savings which is significant at 5 per cent level. This study adopts 5 per cent level as its level of significance which is a strong stationarity. i.e our variables are integrated at order1, *I*(1). On the basis of this, we reject the null hypothesis of non stationarity and accepted the alternative one. With this result, we conducted the co-integration regression to examine whether the variables share a common stochastic long term trend. However, as a prerequisite to the conduct of the cointegration, optimal lag length to be included in the co-integration regression must be selected. Generally, there are four information criteria that are being used in the choice of optimal lag length in co-integration studies. These are the Final Prediction Error (FPE), Hannan-Quinn Information (HQIC), Schwartx, Bayes Information Criterion (SBIC) and Akaike Information Criterion (AIC). This study adopted the FPE as it was found to produce the least probability of under estimation among all the criteria (Liew, 2004). While Final Prediction Error (FPE), Hannan-Quinn Information (HOIC) and Schwartx and Bayes Information Criterion (SBIC) indicated one lag length, Akaike Information Criterion (AIC) and Likelyhood Ratio indicated four lags to be included in the model. We selected one lag to be included in the model as it is the out come of the FPE. Table no. 3 depicts the results of the Johansen cointegration regression.

Table no. 3. Co-integration Regression Results among Real GDP, Total Expenditure, Capital Expenditure, Recurrent Expenditure, FDI, Total Savings and Trade Openness

Hypothesized	**Eigenvalue**	**Trace statistic**	**Critical value 5%**
None		97.1928*	124.24
At most 1	0.57536	63.7888	94.15
At most 2	0.52559	34.7072	68.52
At most 3	0.28462	21.6446	47.21
At most 4	0.21640	12.1339	29.68
At most 5	0.17811	4.4842	15.41
At most 6	0.09476	0.6016	3.76
At most 7	0.01531		

Source: Author`s calculation using STATA software, version 9.1
***Note:** Significant at 10% (*)*

Table no. 3 indicates that the maximum eigenvalue which tests the null hypothesis, r, of no co-integrating relationship among the variables is accepted as the trace statistic (97.1928) is lower that the critical value (124.24) at 5% level of significance. Thus, since no co-integrating relationship among the variables is revealed, VEC model can not be applied. Thus, Granger causality test using the VAR is conducted to examine the direction of causality among the variables in the short run. Once again, as a prerequisite to the conduct of the VAR, optimal lag length to be included in the VAR model has to be selected. Accordingly, we included one lags in the VAR model as it was indicated by FPE.

Table no. 4. Granger Causality Test Results

Model No.	Dependent Variable	Independent Variable	Chi-Square Test Stat.	Remark
1a.	Real GDP	Total Expenditure	1.346 (0.500)	Total expenditure does not Granger cause real GDP.
1b.	Total Expenditure	Real GDP	1.254 (0.614)	Real GDP does not Granger cause total expenditure. Thus, there is no causal relationship between total

				expenditure and real GDP.
2a.	Real GDP	Capital expenditure	0.278 (0.598)	Capital expenditure does not Granger cause real GDP.
2b.	Capital expenditure	Real GDP	0.300 (0.584)	Real GDP does not Granger cause capital expenditure. Thus, there is no causal relationship between capital expenditure and real GDP.
3a.	Real GDP	Recurrent expenditure	2.002 (0.157)	Recurrent expenditure does not Granger cause real GDP.
3b.	Recurrent expenditure	Real GDP	0.174 (0.677)	Real GDP does not Granger cause recurrent expenditure. Thus, there is no causal relationship between recurrent expenditure real GDP.
4a.	Real GDP	FDI	0.678 (0.410)	FDI does not Granger cause real GDP
4b.	FDI	Real GDP	1.505 (0.477)	Real GDP does not Granger cause FDI. Thus, there is no causal relationship between real GDP and FDI.
5a.	Real GDP	Total savings	0.078 (0.780)	Total savings does not Granger cause real GDP.
5b.	Total savings	Real GDP	0.363 (0.547)	Real GDP does not Granger cause total savings. Thus, there is no causal relationship between total savings and real GDP.
6a.	Real GDP	Trade openness	0.158 (1.989)	Trade openness does not Granger cause real GDP
6b.	Trade openness	Real GDP	3.713 (0.054)**	Real GDP Granger cause trade openness. Thus, there is causal

				relationship running from real GDP to trade openness.
7a.	Total expenditure	Capital expenditure	0.456 (0.500)	Capital expenditure does not Granger cause total expenditure.
7b.	Capital expenditure	Total expenditure	0.079 (0.778)	Total expenditure does not Granger cause capital expenditure. Thus, there is no causal relationship between total expenditure and capital expenditure.
8a.	Total expenditure	Recurrent expenditure	0.003 (0.953)	Recurrent expenditure does not Granger cause total expenditure.
8b.	Recurrent expenditure	Total expenditure	0.007 (0.933)	Total expenditure does not Granger cause recurrent expenditure. Thus, there is no causal relationship between recurent expenditure and total expenditure.
9a.	Total expenditure	FDI	0.009 (0.923)	FDI does not Granger cause total expenditure.
9b.	FDI	Total expenditure	0.243 (0.622)	Total expenditure does not Granger cause FDI. Thus, there is no causal relationship between total expenditure and FDI.
10a.	Total expenditure	Total savings	4.937 (0.026)**	Total savings Granger cause total expenditure.
10b.	Total savings	Total expenditure	0.347 (0.556)	Total expenditure does not Granger cause total savings. Thus, there is causal relationship running from total savings to total expenditure.
11a.	Total expenditure	Trade openness	0.927 (0.336)	Trade openness does not Granger cause total expenditure.

11b.	Trade openness	Total expenditure	0.133 (0.715)	Total expenditure does not Granger cause trade openness. Thus, there is no causal relationship between total expenditure and trade openness
12a.	Capital expenditure	Recurrent expenditure	0.265 (0.606)	Recurrent expenditure does not Granger cause capital expenditure.
12b.	Recurrent expenditure	Capital expenditure	0.014 (0.907)	Capital expenditure does not Granger cause recurrent expenditure. Thus, there is no causal relationship between recurrent expenditure and capital expenditure.
13a.	Capital expenditure	FDI	0.035 (0.851)	FDI does not Granger cause capital expenditure.
13b.	FDI	Capital expenditure	0.760 (0.782)	Capital expenditure does not Granger cause FDI. Thus, there is no causal relationship between capital expenditure and FDI.
14a.	Capital expenditure	Total savings	4.319 (0.038)**	Total savings Granger cause capital expenditure.
14b.	Total savings	Capital expenditure	0.800 (0.371)	Capital expenditure does not Granger cause total savings. Thus, there is causal relationship running from total savings to capital expenditure.
15a.	Capital expenditure.	Trade openness	2.903 (0.088)*	Trade openness Granger cause capital expenditure.
15b.	Trade openness	Capital expenditure.	1.041 (0.715)	Capital expenditure does not Granger cause trade openness. Thus, there is causal relationship running

				from trade openness to capital expenditure.
16a.	Recurrent expenditure	FDI	0.080 (0.777)	FDI does not Granger cause recurrent expenditure
16b.	FDI	Recurrent expenditure	0.549 (0.815)	Recurrent expenditure does not Granger cause FDI. Thus, there is no causal relationship between recurrent exepnditure and FDI.
17a.	Recurrent expenditture	Total savings	0.315 (0.575)	Total savings does not Granger cause recurrent expenditure.
17b.	Total savings	Recurrent expenditture	0.450 (0.503)	Recurrent expenditure does not Granger cause total savings. Thus, there is no causal relationship between recurrent expenditure and total savings.
18a.	Recurrent expenditture	Trade openness	0.070 (0.792)	Trade openness does not Granger cause recurrent expenditure.
18b.	Trade openness	Recurrent expenditture	0.0002 (0.989)	Recurrent expenditure does not Granger cause trade openness. Thus, there is no causal relationship between recurrent expenditure and trade openness.
19a.	FDI	Total savings	0.253 (0.615)	Total savings does not Granger cause FDI.
19b.	Total savings	FDI	0.206 (0650)	FDI does not Granger cause total savings. Thus, there is no causal relationship between total savings and FDI.
20a.	FDI	Trade openness.	2.961 (0.085)*	Trade openness Granger cause FDI.
20b.	Trade openness.	FDI	0.231 (0.631)	FDI does not Granger cause trade openness. Thus, there is causal relationship runnig

				from trade openness to FDI.
21a.	Total savings	Trade openness.	0.276 (0.600)	Trade openness does not Granger cause total savings.
21b.	Trade openness.	Total savings	0.981 (0.322)	Total savings does not Granger cause trade openness. Thus, there is no causal relastionship between trade openness and total savings.

Source: Author`s calculation using STATA software, version 9.1
Note: *Significant at 5 % (**) and 10 % (*) level of significance*

From Table no. 4, equation 1a, the null hypothesis that total government expenditure does not Granger cause real GDP is accepted, implying that causality does not run from total government expenditure to economic growth. Similarly, the null hypothesis that real GDP does not Granger cause government expenditure is also accepted as revealed by the results of equation 1b. This implies that there is no causal relationship between total government expenditure and economic growth in Nigeria. This nature of causal relationship is also found to exist amongst real GDP, capital expenditure and recurrent expenditure as revealed by equations 2a, 2b and 3a, 3b respectively.

Similarly, equations 4a and 4b revealed the absence of any causality between FDI and economic growth. This implies that the level of FDI in the country is not significant as to influence the rate of growth in Nigeria. As reveled by equations 5a and 5b, the level of our domestic national savings has also not cause an increase in the rate of economic growth. This could be the result of the tendency of successive governments to unwisely spend most of the earnings particularly oil revenue windfall that accrue to the country within their administration with out recourse to national savings. However, as revealed by equations 6a and 6b, the variable trade openness and growth rate of real GDP turns out to be related in the short run with causality running from real GDP to trade openness. This denotes that the rate of our economic growth spur the country’s propensity to liberalize our trade policies.

There is a negative causal relationship between domestic savings and total expenditure with savings negatively Granger causing total expenditure as revealed by equation 10a. More specifically, total savings Granger cause the country's capital expenditure but in a significantly negative manner. However, domestic savings does not exhibit any causal relationship with government recurrent expenditure as indicated by equations 17a and 17b. This implies that growth in the Nigeria's total savings result to slower growth in the country's total expenditure. Put differently, an increase in the level of the country's savings lead to a decrease in the level of her total expenditure more particularly, her capital expenditure. This finding suggests that though the country's savings are mainly channeled in capital projects, it does not spur growth in the economy as revealed by this study. However, on the basis of the result of equation 15a, this study found the existence of a significantly positive causal relationship between trade openness and capital expenditure. That is, an increase in the country's level of trade openness in the short run lead to an increase in the level of her capital expenditure.

Similarly, according to equation 20a, there exists a significant positive causal relationship between trade openness and FDI with causality running from trade openness to FDI. In other words, an increase in the level of the country's trade openness leads to an increase in the level of FDI in the country in the short run.

Discussion

In recent times, studies on the relationship between public expenditure and economic growth are taking the attention of most researchers. Huge expenditure is under-taken by most governments in attempt to improve economic growth and developments of their economies. This study reveals that there is no long run relationship between public expenditure, economic growth, FDI, total savings and trade openness in Nigeria. This finding confirms the finding of Aregbeyen (2006) and Babatunde (2007). The Granger causality shows that there is no causal relationship between public expenditure and economic growth in Nigeria. This implies that, increase in government aggregate capital or recurrent expenditures does not translate into growth in Nigeria. In other words, public expenditure and economic growth in Nigeria are both independent of each another. This finding is also consistent with the finding of Babatunde (2007), but inconsistent with the finding of Aregbeyen (2006), where causality was found to run from public expenditure to national income.

These findings could be attributed to leakages and mismanagement of public resources in the country over the years which took away significant proportion of the funds made available to spur growth and development in critical real sectors of the economy particularly agriculture, power, transport and road infrastructure. These real sectors contribute immensely to economic growth and development of many developed nations. Several reports from the global watch dog on corruption, the Transparency International, has indicated that Nigeria continue to feature prominently in the world corruption index. For instance, according to the agency's 1998 Corruption Index Report, as being reported by Sam (2008), Nigeria is the 5th most corrupt country in the World. In 2001, the country fell from the 5th position to being the most corrupt country in the World (with first position). Over the years, he further reported, from 2002 through to 2012 the country ranked as the 35th (out of 174) most corrupt nations in the World.

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Conclusion

This study contributes to the existing literature by throwing more light on the nexus between government expenditure and economic growth in Nigeria. Johansen co-integration analysis and Granger causality test were used to analyze the data generated. Findings showed that there is no long run relationship between government expenditure and real GDP, FDI, total savings and trade openness in Nigeria. Similarly, there is no causal relationship between government expenditure and real GDP. However, there is causal relationship between real GDP and trade openness with causality running from real GDP to trade openness. Also, while total savings Granger cause total expenditure, trade openness Granger causes capital expenditure and FDI. The study concludes that there is no long run relationship between government expenditure and economic growth in Nigeria and that neither government expenditure Granger cause economic growth nor economic growth Granger cause government expenditure.

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