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Impact of war on terror on oil and gas industry in Pakistan

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Abstract

This study is an effort to estimate the impact of “war on terror” on the Oil and Gas industry in Pakistan. According to both of the tests i.e. the Pooled Regression Analysis and Pearson’s Correlation, we found that a positive relationship (either weak or strong) exists between the key financial indicators and the four independent factors of war on terror. Therefore, our results indicate that the war on terror had an insignificant effect on the financial performances of oil and gas companies. Despite the times of growing adversities, the companies in the Oil and Gas sector were able to successfully survive and prosper.

Keywords: War on terror; Oil and Gas; Bomb Blasts; Number of Killings

1. Introduction

Since the incident of 9/11 in the U.S.A, there has been a significant rise in terrorist activities around the world. Terrorism badly disturbs the lives of individuals and also imposes adverse effects on the economies. Unfortunately, Pakistan became a prominent victim of terrorism after the world shaking incident of 9/11. Pakistan has been suffering from relentless terrorist attacks including bomb blasts and drone attacks which are affecting the country’s entire social, political and economic structure. In this research we have tried to analyze the impact of “war on terror” on a specific industry of Oil and Gas in Pakistan. The Oil and Gas sector is a major and key industry of any economy as the products are of social and economic benefit and relatively price inelastic due to their steady consumption. In the year 2004, the Organization of Petroleum Exporting Countries referred oil and gas as “the engine of the world economy” in one of their speeches.

It is a quantitative empirical analysis which will describe the impact of various terrorist activities and the killings occurred by terrorist attacks on the oil and gas corporations in Pakistan.

Nomenclature

BB	Bomb Blasts per year
KBB	Number of Killing of Bomb Blasts per year
DA	Drone Attacks per year
KDA	Number of Killings in Drone Attacks per year

2. Literature Review

(Tayyeba et al, 2006) conducted a study to find the impact of various kinds of terrorist activities on the three financial markets that is, Karachi stock market, Foreign exchange market and the money market. KSE has relatively been affected the most due to its nature of being more sensitive. FOREX has an insignificant but adverse affect because of the interference of the SBP. The impact for KIBOR rate although negative but estimated to be insignificant, but still might have been negative implication for Pakistan's economy. The impact of terror attacks on the return (level) and volatility of the financial markets, they found negative returns with increasing terrorist activities for the stock market, while for the bond market lower yields were observed. Durban Watson statistics was used in this paper in order to check the variables for autocorrelation issue, to counter any problem relation relationship between two variables which may result in biased empirical results. The results of regression are although correctly directed but not consistent with the theory to extent as expected. The results show that terrorism in a country definitely adversely affect the economy in general and financial markets in particular, but the targets of the terrorist activities play an important role in determining the impact on financial markets.

The study by Dr.Aurangzeb, Tasfoura Dilawer (2012) was conducted to examine the impact of the terrorism on stock returns. For this study four variables were selected, bombing, armed isolation, assassination and hostage. Thirty companies were chosen randomly from Karachi stock exchange 100-index as a sample covering the time period from 2004 to 2010, in time series and months. For the study regression analysis and granger causality have been applied to analyze the impact of terrorism on stock returns. The results of the finding were that the stock return reacts negatively to terrorist activities but variation insignificance does exist in literature.

The study by Mr Suleman, 2012 highlighted the stock market reaction to the terrorist attacks in the country. The study examined the impact of terrorist attacks on the Karachi stock exchange. For this the data from the Karachi Stock Exchange has been used in order to run test. Univariate asymmetric GARCH model was used, to gauge the impact of terrorist news on the returns and volatility. Our results demonstrate that terrorist attacks have significantly negative effect on the returns of the KSE 100 index, oil and gas, financial and industry index sectors. Moreover, terrorist attacks increase the volatility of the KSE100 index and the financial sector index. It is further concluded that the results of oil and gas industry are not statistically significant in response to terrorist attack information, indicating that such type of news does not affect the volatility of this particular sector. Further the study showed volatility asymmetry is negative in all of the sectors including KSE100 confirming leverage effect. Persistence parameter is very large in most of the sectors including KSE 100 which indicates that the variance moves slowly through time. Faheem Aslam and Hyoung-Goo Kang (2012) highlighted the impact of the terrorist attacks that affects the stock markets. The data was collection regarding the terrorist attacks in different prospective like type of attacks, location of attacks, effect on human lives and financial sectors effected by these attacks. No such test was conducted in the reports but the data was collected which showed the results on the impact of the attacks in Karachi. With the increasing terrorism in Pakistan, uncertainty is been created which increases the risk of investment, it adversely affects stock market and leads to lower economic growth, increased cost of companies and negative affects to the society of Pakistan. As the data was collected to study different prospective, result showed that type of attacks had no such effect on the stock market performance, and Investors had no concern relating to the types of attacks. Whereas, the location had an importance as the results showed a negative effect on KSE-100 if the attack is in a city compared to other areas. The overall data results show the terrorist attack has not only had a negative impact but resulted in a slow growth in the economy. And major step should be taken by the shareholders in order get back the image of Pakistan and get the positive invest in the country.

Fazal Rabbi,(2012) discusses how the US war against terrorism has affected the internal, external policies and the future of Pakistan. The partnership with the US helped Pakistan to overcome sanctions, end its isolation and restore economic as well as military assistance. It states that Pakistan is slowly and gradually improving its reputation internationally by restore its membership in the Commonwealth, revising its traditional Afghan policy. While keeping the national interest in mind, Pakistan needs to be more cautious, to understand the most compelling

security challenges facing the region and not allowing any other country to gain tactical advantage of the current situation.

Saeeda and Alqama (2012) dissected Pakistan's role in dealing with militant groups in the tribal areas of Pakistan, its impact on American led war on terror in Afghanistan and Pakistan. The "Exit Strategy" of the USA and its implications on both neighboring countries. Tribal areas of Pakistan have achieved great significance in the US led war on terrorism. Pakistan should take a direct control of its border areas by improving governance and creating economic and educational opportunities throughout the country. Those who are the organizers, perpetrators, financiers and sponsors of terrorism must be handled with iron fist but also discourage those clerics, politicians, journalists and others who promote violence, sectarianism, violation of law, and constitution.

Mazhar and Naheed Goraya (2011) aims at analyzing drone war that has been waged on Pakistan while exploring briefly about their legitimacy under the international law. This study further explores future implications for Pakistan and will also analyze the long-term objectives of US behind the drones. Drone attacks are not reducing the power of terrorism in fact it wears on hatred for America increasing in Pakistan. Therefore, American and Pakistani governments should fashion a plan that meets the objectives of both, not by continuing unilateral drone attacks. "The fundamentals of Pakistan's relations need to be revisited. In every case, the brutal attacks are unlawful and in overt desecration of international law. The drone attacks are the illegal use of vicious belligerence against blameless people to attain political objectives of the super power which will only lead to "boundless war without an end".

3. Methodology

1. *The data was used to analyze the impact of the following factors on the performance indicators:*

BB = Bomb Blasts per year during 2005 – 2012

KBB = Number of Killing of Bomb Blasts per year during 2005 – 2012

DA = Drone Attacks per year during 2005 – 2012

KDA = Number of Killings in Drone Attacks per year during 2005 – 2012

The impact of these independent variables was in isolation measured against the Net Sales, Gross Profit, Operating Profit, Net Profit, Book Value and Stock Price (closing market capitalization at the end of each year) on the five companies of Oil and Gas Sector of Pakistan.

Based on the literature review and various researches, a hypothesis was formulated and various tests were performed through SPSS to check the relationship between independent and dependent variables.

2. *Sources of Data*

Historical data of five companies of Oil and Gas Sector was obtained from the site of Karachi Stock Exchange (KSE) (<http://www.kse.com.pk>) and companies' annual reports. The data of the independent variables was taken out from the website of "South Asia Terrorism Portal" (<http://www.satp.org>).

3. *Sample Size*

The sample consists of eight years data from the year 2005 to 2012 of the following companies:

- | | |
|-------------------------|-------------------------|
| i. National Refinery | ii. Pakistan Oil Fields |
| iii. Pakistan Petroleum | iv. Attock Petroleum |
| v. Pakistan State Oil | |

4. Dependant and Independent Variables

The dependent variables are key financial performance indicators of each of the aforementioned companies in the sample size.

1. Dependant Variables:

GP = Gross profit

OP = Operating profit

NP = Net profit

BV = Book Value or Equity

SP = Stock Price/closing market capitalization at the end of each year

The independent variables are the outcomes of war on terror which started after the incident of 9/11. These variables were selected to analyze the impact of war on terror on the performance of Oil and Gas Corporations in Pakistan.

2. Independent Variables:

BB = Bomb blasts per year during 2005– 2012

KBB = No. of killings in bomb blast per year during 2005 – 2012

DA = Drone attacks per year during 2005 – 2012

KDA = No. of killings in drone attacks between 2005 – 2012

5. Hypotheses

H_A: The number of (BB) does affect the Net Sales (NS) of Oil and Gas corporations in Pakistan.

H_B: The (KBB) does affect the Net Sales (NS) of Oil and Gas corporations in Pakistan.

H_C: The (DA) does affect the Net Sales (NS) of Oil and Gas corporations in Pakistan.

H_D: The (KDA) does affect the Net Sales (NS) of Oil and Gas corporations in Pakistan.

H_E: The (BB) does affect the Gross Profit (GP) of Oil and Gas corporations in Pakistan.

H_F: The (KBB) does affect the Gross Profit (GP) of Oil and Gas corporations in Pakistan.

H_G: The (DA) does affect the Gross Profit (GP) of Oil and Gas corporations in Pakistan.

H_H: The (KDA) does affect the Gross Profit (GP) of Oil and Gas corporations in Pakistan.

H_I: The (BB) does affect the Operating Profit (OP) of Oil and Gas corporations in Pakistan.

H_J: The (KBB) does affect the Operating Profit (OP) of Oil and Gas corporations in Pakistan.

H_K: The (DA) does affect the Operating Profit (OP) of Oil and Gas corporations in Pakistan.

H_L: The (KDA) does affect the Operating Profit (OP) of Oil and Gas corporations in Pakistan.

H_M: The (BB) does affect the Net Profit (NP) of Oil and Gas corporations in Pakistan.

H_N: The (KBB) does affect the Net Profit (NP) of Oil and Gas corporations in Pakistan.

H_O: The (DA) does affect the Net Profit (NP) of Oil and Gas corporations in Pakistan.

H_P: The (KDA) does affect the Net Profit (NP) of Oil and Gas corporations in Pakistan.

H_Q: The (BB) does affect the Book Value (BV) of Oil and Gas corporations in Pakistan.

- H_R: The (KBB) does affect the Book Value (BV) of Oil and Gas corporations in Pakistan.
- H_S: The (DA) does affect the Book Value (BV) of Oil and Gas corporations in Pakistan.
- H_T: The (KDA) does affect the Book Value (BV) of Oil and Gas corporations in Pakistan.
- H_U: The (BB) does affect the Stock Price (SP) of Oil and Gas corporations in Pakistan.
- H_V: The (KBB) does affect the Stock Price (SP) of Oil and Gas corporations in Pakistan.
- H_W: The (DA) does affect the Stock Price (SP) of Oil and Gas corporations in Pakistan.
- H_X: The (KDA) does affect the Stock Price (SP) of Oil and Gas corporations in Pakistan.

6. Statistical Tools

The following tests were performed on the data using Statistical Package for the Social Sciences (IBM SPSS) software.

1. Pooled Regression Analysis:

Pooled Regression is usually carried out on Time-Series Cross-Sectional data - data that has observations over time for several different units or 'cross-sections'. This approach can be used when the groups to be pooled are relatively similar or homogenous. The P-Value of the regression analysis is compared with the significance level. If test of significance gives a P-Value lower than the significance level α , the null hypothesis is rejected.

2. Pearson's Correlation Coefficient, r :

Correlation is a technique for investigating the relationship between two quantitative, continuous variables, for example (in this study), number of bomb blasts and net sales. Pearson's correlation coefficient (r) is a measure of the strength of the association between the two variables.

7. Empirical Findings

Table 1. gives Pooled Regression results.

Dependant Variables	Company	ANOVA SIGNIFICANCE VALUE - (2005 - 2012)			
		Bomb Blasts	Killings in Bomb Blasts	Drone Attacks	Killings in Drone Attacks
Net Sales	National Refinery	0.003	0.033	0.536	0.663
	Pakistan Petroleum	0.005	0.009	0.228	0.303
	Pakistan State Oil	0.021	0.006	0.074	0.13
	Pakistan Oil Fields	0.019	0.11	0.403	0.57
	Attock Petroleum	0.011	0.018	0.182	0.284

Gross Profit	National Refinery	0.48	0.799	0.825	0.787
	Pakistan Petroleum	0.017	0.006	0.149	0.18
	Pakistan State Oil	0.206	0.392	0.343	0.612
	Pakistan Oil Fields	0.016	0.064	0.272	0.408
	Attock Petroleum	0.042	0.021	0.061	0.08
Operating Profit	National Refinery	0.265	0.839	0.952	0.973
	Pakistan Petroleum	0.019	0.007	0.155	0.184
	Pakistan State Oil	0.549	0.976	0.764	0.889
	Pakistan Oil Fields	0.02	0.094	0.294	0.438
	Attock Petroleum	0.028	0.007	0.059	0.084
Net Profit	National Refinery	0.777	0.653	0.953	0.99
	Pakistan Petroleum	0.017	0.006	0.139	0.179
	Pakistan State Oil	0.707	0.862	0.681	0.993
	Pakistan Oil Fields	0.039	0.116	0.188	0.285
	Attock Petroleum	0.048	0.007	0.036	0.051
Book Value	National Refinery	0.02	0.012	0.081	0.112
	Pakistan Petroleum	0.027	0.012	0.077	0.136
	Pakistan State Oil	0.022	0.071	0.315	0.501
	Pakistan Oil Fields	0.034	0.005	0.036	0.051
	Attock Petroleum	0.039	0.014	0.041	0.068
Stock Price	National Refinery	0.999	0.212	0.137	0.197
	Pakistan Petroleum	0.933	0.16	0.067	0.116
	Pakistan State Oil	0.551	0.16	0.076	0.076
	Pakistan Oil Fields	0.35	0.783	0.303	0.163
	Attock Petroleum	0.007	0.163	0.82	0.848

Table 2. gives Pearson's Correlation Coefficient, r:

Dependant Variables	Company	PEARSON CORRELATION COEFFICIENT, r – (2005 - 2012)			
		Bomb Blasts	Killings in Bomb Blasts	Drone Attacks	Killings in Drone Attacks
Net Sales	National Refinery	0.889	0.747	0.259	0.184
	Pakistan Petroleum	0.87	0.843	0.481	0.418

	Pakistan State Oil	0.786	0.864	0.661	0.582
	Pakistan Oil Fields	0.791	0.608	0.345	0.238
	Attock Petroleum	0.83	0.798	0.525	0.433
Gross Profit	National Refinery	0.294	0.108	0.094	0.115
	Pakistan Petroleum	0.8	0.86	0.56	0.526
	Pakistan State Oil	0.501	0.352	0.388	0.213
	Pakistan Oil Fields	0.805	0.678	0.443	0.341
	Attock Petroleum	0.725	0.785	0.684	0.652
Operating Profit	National Refinery	0.448	0.086	0.026	-0.015
	Pakistan Petroleum	0.794	0.856	0.553	0.523
	Pakistan State Oil	0.251	0.013	0.127	-0.059
	Pakistan Oil Fields	0.79	0.63	0.425	0.321
	Attock Petroleum	0.762	0.857	0.689	0.645
Net Profit	National Refinery	0.12	-0.19	-0.025	-0.005
	Pakistan Petroleum	0.799	0.858	0.571	0.528
	Pakistan State Oil	0.159	-0.074	0.173	0.004
	Pakistan Oil Fields	0.732	0.6	0.518	0.432
	Attock Petroleum	0.711	0.853	0.738	0.705
Book Value	National Refinery	0.789	0.824	0.65	0.605
	Pakistan Petroleum	0.764	0.825	0.656	0.575
	Pakistan State Oil	0.782	0.666	0.408	0.28
	Pakistan Oil Fields	0.745	0.866	0.739	0.704
	Attock Petroleum	0.731	0.814	0.728	0.672
Stock Price	National Refinery	-0.001	-0.495	-0.574	-0.51
	Pakistan Petroleum	0.036	-0.372	-0.674	-0.6
	Pakistan State Oil	-0.25	-0.548	-0.659	-0.659
	Pakistan Oil Fields	0.382	-0.117	-0.418	-0.544
	Attock Petroleum	0.853	0.544	-0.097	-0.081

8. Analysis and Conclusion

To sum up the overall findings our research is in coherence with the previous similar researches that were conducted. According to a secondary research which we reviewed, we found out the following quote:

“Further it is concluded that the results of oil and gas industry are not statistically significant in response to terrorist attack news, indicating that such type of news does not affect the volatility of these two sectors” (Stock Market Reaction to Terrorist Attack by Mr. Muhammad Tahir Suleman)

According to both of the tests i.e. the Pooled Regression Analysis and Pearson’s Correlation, we found that a positive relationship (either weak or strong) exists between the key financial indicators being Net Sales, Gross profit, Operating Profit, Net profit, Book Value and Share Price and the four independent factors of war on terror. It means that even though the law and order situation was getting worse with the passage of time and the number of bomb blasts and drone attacks were also increasing, the companies in the Oil and Gas sector were able to successfully survive and prosper. Some of the variables such as Net Profit and Operating Profit of National Refinery and PSO did show a negative correlation but average consistency in the data over a period from the years 2005 to 2012 indicated an overall increase in the financial status of the industry. The reason for this assumption is that the Gross Profits of these companies did show an overall positive correlation, and the Net Profit and Operating Profit of these companies did not show a strong negative relationship with the independent factors.

Concerning the companies around the world, they have been growing after the global financial turmoil of 2008. This also draws our attention to the fact that the demand of the products of Oil and Gas sector remained relatively stable. Oil and gas are referred to as “the Engine of the World Economy.” The companies have lingered successful and prosperous even in the time of growing adversities. The war on terror had an insignificant effect on the financial performances of these companies. This may be due to the following reasons:

- The products of these companies come under the category of necessity goods (economic and social benefits)
- The prices of these products are set internationally
- The demand for these products is relatively price inelastic
- New oil and gas explorations make these companies increasingly profitable
- The overall increase in the number of cars with the increasing population ensures an increasing demand
- The overall increase in consumption by the household and industrial sector ensures an increasing demand

However the research findings do provide sufficient information to the fact that share prices of oil and gas companies in Pakistan are negatively related with the four factors of war on terror. It can be due to the varying and sensitive nature of stock markets which tends to be speculative and the stock prices react to good and bad political news in the country. Especially in the case of Pakistan where Karachi Stock Exchange(KSE) is considered highly volatile, it is seen that the market sentiments are tend to hurt by the increasing adverse situations associated with war on terror. But, the advantage to these companies is that they are low beta companies and are presumed to be safe. Also the people of Pakistan have now become relatively habitual of these adversities, so the market may relatively under react to any bad political news. This point is supported by our research findings in which a very weak negative relationship exists between the four adverse variables and stock prices. Therefore, the empirical findings did not provide sufficient information to conclude that the war on terror imposed a significant impact on the stock prices of the companies in Oil and Gas sector of Pakistan.

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The Phenomenon of Economic Inertia

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Abstract

This paper explores the concept of economic inertia, and takes Malaysian economic performance as an example to support the phenomenon. An examination of available economic data by Bank Negara Malaysia and other independent economic monitoring agencies, in addition to data available to the World Bank and IMF, was utilized in the analyses. This research concludes that since nations strive to compete and grow economically, some countries find themselves by design in an uncompetitive position. Economic deficiencies in the form of lack of adequate actions when actions are needed, allow a monetary or fiscal policy to play out without early assessment of full impact on the economy. Ineffective social institutions, productivity, investments and policies, massive borrowing rates and high reliance on natural resources cause the phenomenon of economic inertia, whereby a country inflicts upon itself an uncompetitive economic position in comparison to other competitive nations.

Keywords: Malaysia, Economic Crisis; Economic Inertia, monetary, fiscal policy, Asia and Emerging Market Economies

1. Background and statement of the problem

The concept of inertia in social science was made famous by Karl Weick (1995). It assumes that organizations reach a point in which there is a gap between environmental change and organizational adaptation ability. This concept, we believe, extends to nations as well as organizations. The concept of economic inertia proposed here suggests that countries willingly put themselves in a position that lacks economic growth primarily because of inability to take corrective action mainly because of institutional and social factors. The social capacity of a population is comprised of psychological and cultural norms and mores that shape and dictate individual's capacity and collective capabilities. Richard Vietor of HBS (2012) argued that countries compete for growth and foreign direct investments to gain wider access to the global marketplace. Vietor (2012) also asserts that certain countries are economically stuck in the middle of competitive positions. Countries such as Malaysia, Mexico, Chile, Argentina, Turkey, Brazil, South Africa and Colombia are examples of this theory. They are caught between high-value added exporters such as Korea, Singapore and Taiwan, and low-cost exporters such as China and India (Vietor, 2012).

This research takes the Malaysian economic performance as an example of economic inertia and how lack of ability to move beyond current economic position, will create mid to long-term economic challenges. Although over the past 12 years, the economic performance of Malaysia showed an uninterrupted growth, yet the economic management of the country, accompanied by a monetary easing policy between 2008-2014, contributed to the grim, long-term economic outlook for Malaysia. To avoid being inflicted by the 2008-9 financial crisis, Malaysia, like many South-East Asian countries, Malaysia found itself in the midst of a global economic crisis and at a junction between slowing global demand, and economic growth in Asia, lead by China. Also bitter memories of the 1997 Asian financial crisis left Malaysia with better banking capitalization (Bank Negara, 2005; Rasiah and Shari, 2001),

largely due to the sound monetary and fiscal policy implementation by Bank Negara. However, the implementation of accommodative monetary policy during and after the 2008 financial crisis in Malaysia has contributed, in part, to the alarming mid to long-term economic outlook.

Since 2009, the accommodative monetary policy in Malaysia, in the form of available credit, in addition to liquidity in the business sector, high government expenditure and FDI, helped sustain an average of above 5% economic growth. This, in turn, contributed to an asset bubble in the real estate market, a budget deficit, and a government borrowing and spending spree. Fitch was the leading rating agency to highlight Malaysia's financial standings, and to confirm that the long-term outlook for Malaysia would be turbulent. Finally, in late 2013, Bank Negara took measures to curb consumer lending by limiting the number of years on personal loans, and in 2014 Bank Negara imposed new rules on mortgage lending to a curb in the amount of borrowing. However, such measures came too late, as the bubble had already been created, the direct result of the negative effect of such accommodative monetary policies. In 2015, oil prices began to drop sharply, adding to the economic troubles of Malaysia, whose oil and gas income is estimated at 35% of GDP.

2. Research objectives

The objectives of this research is to examine policies pursued by Bank Negara Malaysia, and the impact such policies have had on the current Malaysian economic outlook. Another objective of this research is to determine whether the lack of action by the central bank and government policies can lead to a phenomenon of economic inertia.

3. Research questions

The research questions are;

1. Does Malaysia suffer from economic inertia?
2. Is the Malaysian economy able to sustain large public debt and withstand future global economic shocks?
3. Are current and long-term economic problems self-inflicted and can be described as economic inertia?

4. Theoretical Framework

Richard Viotor's (2012) argument that Malaysia, as a growing economy is stuck in the middle of a globally competitive market and unable to move beyond its current economic position provides the theoretical basis of this research. Malaysia is neither able nor willing to break out of its economic inertia in order to compete with rivals, on the basis of cheap labor, innovation and high-tech manufacturing bases. Reviews of public policy and private sector borrowing behavior, accompanied by productivity and social development, is the basis for the framework development of this research, since it is believed to be among the underlying bases in the creation of the economic inertia phenomenon. The mixed empirical analyses on the relationship between the central bank and government policies are examined in the frame of historical and most recent economic performance indicators.

5. Significance of the study

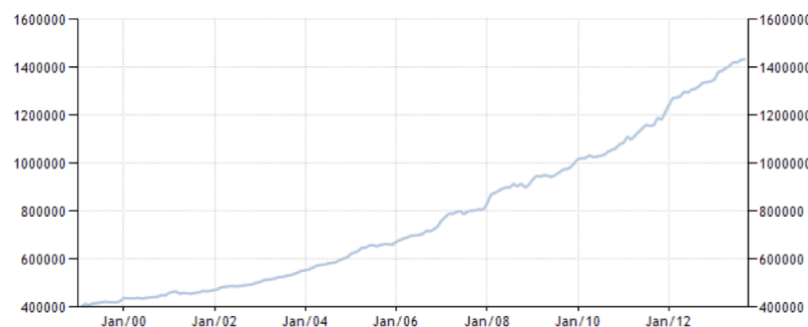
This study is essential to the understanding of the degree of economic management success or failure. Also, Malaysia's ability to meet its future financial obligations in the event of future financial shocks to the global economy, and whether the Malaysian phenomenon is a pattern that extends to other developing and natural resources based economies. The theory of economic inertia can help in the prediction of the limitations of countries and the role they play within the global economy.

6. Methodology

This is an exploratory research that investigates the theoretical hypothesis of economic inertia. The researcher has observed a phenomenon of lack of willingness to take a corrective action amongst several central banks and attempts to investigate this phenomenon starting with Malaysia, and then expand the research to include other countries. of this research consisted of secondary data analyses obtained from the Malaysian Ministry of Finance, the Malaysian central bank (Bank Negara Malaysia) World Bank, IMF, and the Economic Planning Unit of the Prime Minister's department and other independent economic monitoring and reporting agencies such as Fitch Rating, Bloomberg, xe.com and Tradingeconomics.com. Historical data was compared and contrasted with socio-economic policies to determine causes of economic positioning.

7. Data Analysis/Results

To avoid the spillover effect of the 2008-2009 financial crises, the Malaysian Central Bank (Bank Negara) increased money supply in various forms. This policy facilitated an increase in household lending. The increase of money supply to both the business sector and individual consumers contributed to the inevitable increase in the inflation rate, which dramatically affected the real income of the majority of Malaysians, and corroded purchasing power in the long-run. The easing of lending by the banking system for individuals was based primarily on gross income. Bank Negara made adjustments to curb exposure risks stemming from rising household debt by introducing new regulations on individual loans, basing them on net income and with a 10 year limitation cap on all loans (Bank Negara Announcement, July 2013). The tightening of domestic credit measures was late in introduction, and thus, contributed to the inflation Malaysia is experiencing today.



Graph 1: The Malaysian Money Supply M3. Source: www.tradings.com, Bank Negara Malaysia

This is coupled by excess in lending provided to the business sector in the form of bank loans and corporate bonds, which was mainly invested, not in research and development, or support and creation of new industries, but rather in the real estate market. The Malaysian corporate lending in 2013 reached 95.8% of GDP, in comparison to 79.9% in 2007 (Bank Negara Malaysia, 2014), which created a real estate overvaluation or otherwise known as a real estate bubble.

Since the majority of household debt is in the form of household loans, with high borrowing in the corporate sector, this puts extra strains on the economic performance of Malaysian banking sector, which could, as a result, fail to meet its obligations if a global economic crisis started somewhere and have a trickle down effect on Malaysia. Such a scenario is similar to the one in Dubai in the post 2008 financial crisis, when both the government of Dubai and the banking sectors were deeply in debt, and defaulted on their financial obligations. However, both the government of Dubai and the banking sector had the leverage of being bailed out by the central government of Abu Dhabi, since they are part of the Union of the Emirates. Such facilities will not be available to the Malaysian government in the event of an outburst of a global financial crisis, but will put Malaysia in dire straits and deeper in debt as part of a debt restructuring program.

Malaysia's public debt-to-GDP ratio is the second highest amongst emerging Asian countries (Appendix 6) at 53.3% of nominal GDP (Bank Negara, 2013) or about RM501.6 billion. This number excludes additional loans of about \$51 billion USD guaranteed by the Malaysian government issued to non-financial enterprises to finance various projects (Bank Negara, 2013). All public data available indicates that the level of borrowing in the form of bonds and Islamic Sukuk is rising to finance public projects (Ministry of Finance, 2013). This puts additional constraints on the financial management of the Malaysian economy by creating heavier burdens on future Malaysian governments when balancing their budgets, which, in turn, will most likely lead to additional tax hikes.

The influx of capital inflows into Malaysia in the post 2008 financial crisis caused, in a short period of time, an overvaluation of the Malaysian Ringgit by about 25% against mainly the U.S. dollar (Appendix 5). Such an influx of capital inflow and massive increase in holdings of the Malaysian Ringgit denominated bonds by foreigners reached an all time high during the second quarter of 2013 (Bloomberg, 2013), causing the Kuala Lumpur Composite stock index to rise 120%, which badly affected Malaysian exports, specially when Malaysia is a commodities and natural resources export-based economy. This did not help Malaysia in an environment of softening commodity prices in 2014. The combination of policies pursued by the central bank of Malaysia, governmental economic planning with emphasis on the creation of growth, and accumulation of public debt by the government, household and business sector formed a phenomenon of economic inertia, i.e. the lack of ability to undertake corrective measures to this awry economic situation. The fall of the Malaysian Ringgit against the U.S. dollar and other major currencies in the first quarter of 2015 reflected the weakness of the economy, especially in light of the dropping oil prices (Appendix 5).

Hence, the Malaysian monetary policy needed adjustment and restructuring early in 2010 rather than the post-election of 2013. The above 5% economic growth during the past five years was largely accomplished through debt creation and a budget deficit that will lead inevitably to a future recession. The Fitch downgrading of the Malaysian economic outlook in the third and fourth quarters of 2013 to "A-", which is the fourth lowest investment grade, is justly founded and confirms the findings of this research. From 2010 to 2013, public finances, budget deficit and debt-to-GDP hindered Malaysia's financial standing and ability to manage future obligations, and caused the government to increase taxes and lift subsidies on essential commodities such as flour, sugar, oil, gas, fuel and tobacco from. The post-2008 financial crisis accommodative monetary policy pursued by Bank Negara should have been reversed in mid 2010 to avoid massive accumulation of debt in the form of personal and business sector loans, in order to halt the creation of the economic bubble. The Malaysian monetary policy pursued in the post-2008-09 financial crisis allowed for massive accumulation of public debt and alarming debt-to-GDP ratio.

The failure to avoid future economic crisis is a shared responsibility of both the leading government and the central bank of Malaysia. A revamping in the economic fundamentals and political reforms is urgently needed to avoid a dangerous exposure of the economy to any changes in the global economic environment.

Economic deficiencies in the form of lack of adequate action when needed, which allows monetary or fiscal policies to play out without early assessment of full impact on the economy, together with ineffective social institutions and productivity rate, ineffective investments and policies, massive borrowing rates and high reliance on natural resources, cause the phenomenon of economic inertia. Economic inertia also suggests that a country inflicts upon itself an uncompetitive economic position in comparison to other global competitors. These findings are supported by the recent IMDB fiasco and the large depreciation of the Malaysian ringgit. Although Malaysian is experiencing a current account surplus, yet the depreciation in commodity prices and political fiasco caused investors unrest and willingness to take money out of the country.

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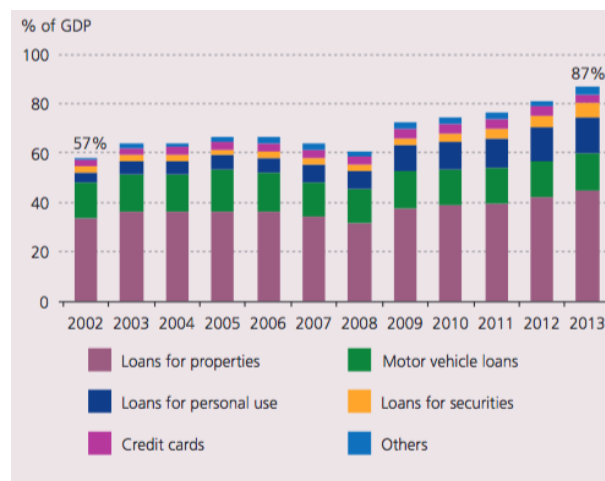
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Appendix 1

Consumption of Household Debt.



Source: Bank Negara Malaysia

Appendixes 2

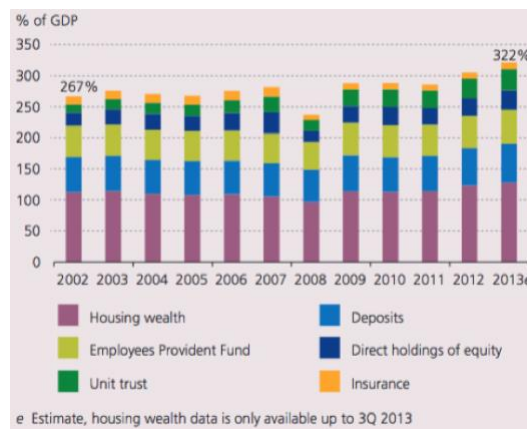
Malaysia bank lending rate



Source: www.tradingeconomics.com, Bank Negara Malaysia.

Appendix 3

Comparison of household assets



Source: Bank Negara Malaysia estimates

Appendix 4

House Price Index (2000=100)



Source: Globalpropertyguide.com

Appendix 5

Malaysian Ringgit exchange rate to the U.S. Dollar

USD per 1 MYR

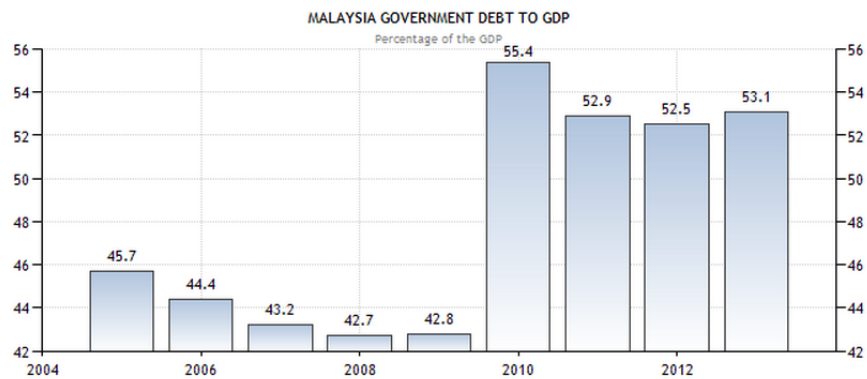
17 Jan 2010 00:00 UTC - 16 Jan 2015 08:57 UTC
 MYR/USD close:0.28113 low:0.27741 high:0.34048



Source: www.xe.com January 16, 2015

Appendix 6

Malaysian Government debt-to-GDP



Source: www.tradingeconomics.com, Bank Negara Malaysia.

Share earnings in zero impact of strategic philanthropy on firm's performance.

Dr. Solomon Arhin,

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ABSTRACT

There is a school of thought that believes that strategic philanthropy model should have significant impacts on the corporate performance as far as share earnings are concerned especially in the recession period. This study focus on Measurement of the impact of strategic philanthropy behavior on profitability measures on Earnings per share (EPS) and Price earnings ratio (P/E). This study also uses Net income as a model of strategic philanthropy in the selected firms. This research jumpstart with audited consolidated financial statement of 59 listed companies comprising of 471 subsidiaries that were operating in the four years under study to obtain the secondary data. Initial approach of Statistical analysis method using IBM SPSS version 21 is used to analyze the data obtained from the secondary source. The research findings support the hypothesis that there is no evidence to support that strategic philanthropy have impact on firms performance on share earnings. Based on the research findings, managerial implications and directions for future research are discussed.

Key words: Earnings per share (EPS); Price earnings ratio (P/E) ; Net Income ; consolidated financial statement.

1.0 Introduction

1.1 Research Backgrounds and Motives

Strategic philanthropy as a new wave has not become so common in contemporary business world. Barnes (2005) mentioned that this new wave of corporate philanthropy has its own ideological foundations that date to 2002.(Wilkinson 1991).Though the intention of this research is to lay the broad foundation for the problem that leads to the study or place this study in the context of the scholarly literature while reaching out to specific audience(Creswell,1994).The actual importance of this little research of the corporate philanthropic, however is to examine the state of importance especially in the period of recession and aftermath of recession.

1.2 Statement of the problem

This problem statement describes the context for the study and it also identifies the general analysis approach” (Wiersma, 1995). A problem might be defined as the issue that exists in the literature, theory, or practice that leads to a need for the study (Creswell, 1994). This research project in the nutshell examines the state of philanthropic behavior as prevailing in the US industry in the post recession period between 2008-2011 specific to the information technology industry.

1.3 Purpose of the study

The purpose of this study examines the critical changes of strategic philanthropy in the selected corporations in the information technology industry in the United States after post recession between 2008-2011

with regards to the school of thought that see the impact of profitability measure on share earnings on strategic philanthropy. Measurement of the impact of strategic philanthropy will be on profitability measures: EPS and PE as dependent variables and net income as independent variable.

1.4 Research Questions and Hypothesis

To prevent truisms, tautologies and contradictory statements (Rajan, 1996), this research will have single null hypotheses performance of the firm. Therefore, the null hypothesis of this study is simply:

H0: adaptation of strategic philanthropy has no impact on the performance measurement on share earnings within the recession

1.5 Organization of the study and Research procedures

This study is organized the following sections: The general background information of the study, the motivation and the research purposes of the study, the research question and the hypotheses, significant and the limitation of the study are included in chapter I. Chapter II provides review of relevant literatures. Chapter III provides an explanation of the methodology and the data collection procedure utilized for this study. Chapter IV, outline the results of the data collection and findings. Chapter V, gives the authors' objective conclusions and rational recommendations for future research purposes.

1.6 Significance of the study

This study will make a unique contribution to academic literature in that it examines philanthropic activities within the period of the recession which were marked by fierce economic downturn, acute corporate losses and mass laid off and collapse of many too big to fail corporations. This study measures performance by the use of internal and external financial metrics which is not synonymous with other studies.

1.7 Limitations and Delimitations

This study examines the relationship between strategic philanthropy and firm's performance in the recession period in the United States of America. The study does not examine philanthropy activities by high tech industries operating outside US.

Non listed high-tech firms are not included in the sample size for this study.

2.0 Literature Review

2.1 Tracing the development of the research in this field

Strategic philanthropy is relatively a new corporate wave adopted by corporations although the term has been around for decades and many corporations seem to have adopted the new term to stay. It is an area of very much concerned to corporations because it addresses very essential part in the society though it might be considered as a little bit of many interest to both corporations and the public. Rimel (2001) gave a technical view; according to Greek tradition, the first philanthropist was Prometheus. He gave mankind fire. The impulse behind his act is imbedded in the Greek root of the word philanthropy "love of mankind". But philanthropy is not simply a kind attitude- it also implies a certain kind of approach. The gift of fire transformed the world. Fire did not simply permit a few people to enjoy a hot meal and a warm shelter on the day it was given. It was a new tool that could be used forever to help humans make their often -hostile environment more accommodating. Leisinger (2007), drew a dichotomy between strategic philanthropy and charity. He said a differentiation can be made between philanthropy and charity, defining charity as unconditional short-term relief (for example., for tsunami victims), while

Philanthropy attempts to investigate and address the underlying causes to make a tangible positive change in the social conditions that cause the problem. Further, a robust operational definition of philanthropy can be drawn from the accounting literature : philanthropy is “an unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner” (Financial Accounting Standards Board [FASB], 1993: 2). The non reciprocity condition becomes the acid test of philanthropic activity; it is not an explicit exchange of value between two parties such as cause-related marketing but, rather, a transfer of wealth from one party to another.

Steiner's(2008) explained strategic philanthropy from a more modern managerial perspective. Strategic philanthropy is a corporate philosophy of giving from one of pure, if scattered and unplanned, generosity to one that aligns giving with commercial objectives. It is the alignment of a corporation's charitable strategy with its business strategy. The strategic philanthropic activities reinforce strategic business goals. A well designed program balances the positive impact on the community with a clear understanding of the positive impact a giving program will have for the company, its brand, customers and importantly employee recruitment and retention. For example, Mattel donated \$25 million to put its name on the children's hospital at University of California, Los Angeles, now called Mattel Children's hospital. The company has no role running the hospital. Adding the company name to the hospital increase brand recognition and contribute to compassionate corporate image among toy buyers. This benefit reinforces the commercial goals while helping sick children.

Porter and Kramer (2002) explained that strategic Philanthropy can often be the most cost-effective way for a company to improve its competitive context, enabling companies to leverage the efforts and infrastructure of non profits and other institutions transfer of wealth from one party to another. Godfrey, Merrill and Hansen(2009) Posit that for firms with negative social impacts, engagement in Corporate social responsibility may be perceived as money to either atone for past sins or it may be a substitute/complement for other negative practices(for example, tobacco companies that try to offset their negative product image through generous philanthropy). Roper and Cheney(2005) advocate that today as in the past, strategic philanthropy work often represents a shift away from traditional business pursuits ,or at least a parallel “social Stream” for successful leaders at turning points in their careers. Many well-known articles and scholarly publications have been made on the aspects of strategic philanthropy prior to the recent US recession.

Barnes (2005) explored that this new wave of corporate philanthropy has its own ideological foundations that date to 2002. Corporations point out that strategic philanthropy is inevitable because intensive competition in the global marketplace will soon force them to function in the poorest regions of the world. These have been a point where many research have emanated and corporations have been measured on their philanthropic contributions. However, Riecken and Yavas (2005) investigated that, there is an important debate among academics about the relationship between corporate philanthropy and corporate financial performance. There are several fundamental reasons for the tremendous growth of interest in the new wave of strategic philanthropy. In the first place, Well-designed contributions can increase the firm's name and brand recognition among customers in a similar manner to advertising (Lev,Petrovits and Radhakrishnan,2010)

Wang,Choi and Li (2008) examined that despite substantial growth over the past two decades, corporate philanthropy remains controversial. Some critics argue that corporate contributions are drain on shareholder wealth and a distraction of managers' attention, while others claim that the business sector is not giving enough. Wood(1991) studied that in the 1960s and 1970s, one shock after another-the OPEC oil crises and resulting economic “stagflation”; the dramatic regulatory successes of environmental, consumer protection, and civil rights activities; business crises involving political payoffs, life-threatening products, and toxic pollution-pounded home the message that the business environment was social and political , not just economic and technological. Devinney (2009) argued out that, first, corporations exist to generate economic returns, not to solve societal problems. They live to optimize for themselves (that is, their near stakeholders: shareholders, managers, employees, suppliers, governments, etc.), not the general public. However, Pearce and Doh (2005) in their research found out that, strategic Philanthropy without active engagement - cash donations, for instance - has been criticized as narrow, self-serving and often motivated to improve the corporation's reputation and keep at bay critics of nongovernmental organizations(NGOs) and other naysayers. Godfrey(2005),argues that strategic philanthropy does not represent an Oxymoron but ,rather, this position can faithfully Meet the objections of critics at both extremes of Corporate social

responsibility (CSR) and corporate financial performance (CFP) debate. In sum rational managers should engage in corporate philanthropy because such activity benefits shareholders. Historically, faith based giving dominates in the United States with 43% of all charitable contributions. However, there are indications that philanthropy appears to be heading for a period of significant change, especially from the standpoint of non-faith based organizations. Finally, in the modern economy of development and advancement in technology, knowledge is a powerful tool as it said; “knowledge is power in a knowledge based economy”. Kong (2008) said there is relatively little written on what adapted strategic management methods are most appropriate for the pursuit of nonprofit activities in today’s knowledge economy. Theories of the nature of the non-profit welfare sector, and of its relationship with government, have posited several contending and overlapping arguments that provide an important backdrop to this analysis. It seems impossible to plan for crises you can’t even imagine. But set of surprisingly simple tools can demolish mental barriers- and help managers think about the unthinkable.

Cone, Feldman and Dasilva (2003) straightway said that too much time and money spent bragging about your philanthropic efforts is no better than being silent about them. Xin and pearce (1996) replicated finally that private executives made more extensive use of gift giving to build these connections and maintained business connections of greater trust than did executives in the more structurally secure collective-hybrid and state-owned companies. Giving or acting prosaically may result in internal rewards to the donor, such as feeling proud or reducing guilt or sadness. Waddock and Graves (1997) tested out the difference clearly, that firms that are in financial trouble may have little ability to make discretionary investments in traditional corporate social performance activities such as philanthropy, while those doing well financially have resources to spend in ways that may have long term strategic impacts such as investments in improved local schools or community conditions to improve a workforce. Therefore a firm selects a distinct position in what it perceives to be an unexploited or underexploited niche. Werbel and Wortman (2000) studied and pointed out that corporate philanthropy is rooted in questions of corporate identity. The primary basis for making this link is that the corporate philanthropy is a discretionary activity. Contrasting this, Grant, Dutton and Rosso (2008) found out that giving strengthens affective organizational commitment through a “prosocial sense making” process in which employees interpret personal and company actions and identities as caring. Conversely, Goleman (2000), emphasized that in order to lead, one needs to know how to negotiate, understand the politics of any situation and handle them sensitively, use humor appropriately, and maintain an even temperament despite the extremes of situation. Deephouse (2000) demonstrated that some of these actions (like charitable donations) are viewed favorably in reputation research and others are viewed positively by stakeholders. Choi and Wang (2009) found support for the arguments that a high stakeholder relation rating both helps a well-performing firm to sustain superior profits and helps a poorly performing firm to move out of its disadvantageous position more quickly. Petrovits and Radhakrishnan (2010) made a persuasive case that charitable contributions appear most effective in enhancing revenues in the customer sectors, such as retailers and financial services. Leszczyc and Rothkop (2010) advance the understanding that, research in cause related marketing has demonstrated that consumers tend to select products bundled with Philanthropy. Notwithstanding that Doh, Rodriquez, Uhlenbruck, Collins and Ede (2003) noted that some companies employ the strategy of social contributions and public donations as an alternative to both avoidance and compliance. Matten and Crane (2003), carefully suggested that as opposed to corporations engaging in charity simply for the sake of it, corporate citizenship presents a case for strategic philanthropy.

3.0 Research Methodology

3.1 Research Design and Approach

Quantitative approach to the subject using statistical tool IBM SPSS version 21 is used to confirm and validate the findings from the data collected from secondary source clearly and unambiguously. Initial analysis of

quantitative data was chosen as it provides better resolution to the research questions and facilitates statistical analysis, comparability and generalization of results as required in most of the research work.

3.2 Sampling

To accomplish the tasks associated with data collection, secondary sources data collection. Methods used: an initial selection of fortune 500 companies operating in the information technology industry in the United States was selected. Out of these, the financial data was pulled out from the individual company's website and Edgar /SEC database for the four year period (2008-2011) for 59 companies having 471 subsidiaries included in their consolidated statements of operations.

3.3 Research Instrumentation

To determine and measure successful impact of strategic philanthropy as a discretionary senior level management tool ,a number of dependent and independent variables were selected and examined to determine their influence. Dependant variables associated with this study are: EPS, -Earning per share and P/E.-Price Earnings Ratio. Independent variable is Net Income (NI). Some of the statistical tools that were utilized in the data analysis include but limited to: Simple and Multiple Regression Analysis to evaluate the numeric data; Factor Analysis was used to analyze the relationship between the variables . Reliability tests, including mean, median, standard deviation, were performed on data that was collected to determine data reliability and usefulness. The prime purpose of this study was to compare the performances of the firms in the information technology which adopted strategic philanthropy in accomplishing their mission to those that did not during the four year period.

3.4 Data Collection Procedure

Brammer, Pavelin and porter (2008) stated that firm-level strategic philanthropic activities is reported in the Annual Report of each company. So the financial data of each firm would primarily be the major source of information for the study. Financial data was obtained from US Securities and Exchange Commission (SEC)/Edgar Electronic database on corporate filling. Corporate filling information is reported on form 10K. Some companies had similar financial information posted in their website which also serves as alternative information source. For the dependence variables, performance was best measured by accounting measures of EPS and P/E. Also for the independence variables, strategic philanthropy measures is in relation Net Income(NI) expressed as percentage of sales volume as reported on the audited financial statement of the selected firms.

3.5 Validity

The validity of a measurement instrument is the extent to which the instrument measures what it is supposed to measure. Reliability is the consistency with which a measuring instrument yields a certain result when the entity being measured hasn't changed" (Leedy & Omrod, 2005). To ensure internal validity, accounting measures are used to measure performance and the variables predicting performance. External validity was ensured by choosing firms in the fortune 500 companies in the information technology company for the study. This makes it easier for generalization of results. Reliability was ensured in this study by adhering to the same procedure in collection of financial data on firms and the performance of the statistical analysis for each of the dependent and independent variables selected for this study.

4.0 Results of Study

4.1 Data Analysis and Statistical Analysis Tool

IBM SPSS version 21 was used to analyze the data collected to provide various information needed for the study. The rationale for using the IBM SPSS version 21 was for the sake of avoiding complex statistical analysis and provides easy to understand design methodology and analysis using the most current version of the software. Preliminary data analysis revealed the following descriptive statistics for the 59 firms selected in the sample in the information Technology industry in the adaptation of strategic philanthropy during the recession.

Table 1.

Statistics		EPS	PE	SPP
N	Valid	59	59	59
	Missing	0	0	0
Mean		.50571	29.46093	12.69105
Median		.43000	.00700	3.25000

The first and initial analysis indicates a positive overall performance for the four year period of 2008-2011 in terms of external measures with Earning per share of .506 . Price Earnings ratio and strategic philanthropy were however high with a mean of 29.461 and 12.691

Table 2.

Statistics		SPP	NI
N	Valid	59	59
	Missing	0	0
Mean		12.69105	.30897
Median		3.25000	.03000

The second initial data analysis of firms selected in the sample in the information Technology industry indicates a positive overall performance for the four year period of 2008-2011 in terms of internal measures. The independent variable as performance measure compared with strategic philanthropy recorded a positive variables for Net income with positive mean values of .308 and 352 respectively. However, according to Tabachnick, & Fidell, [2007,) although normality of the variables is not always required for analysis; the solution is usually quite a bit better if variables have normal distribution. It follows that if variables are not the same, some of the variables will be too peak or skewed positively or negatively and this will affect the solution. A normal distribution for figure 1 and table 2 will provide a better view in appearance.

This analysis started with transformation of sample data and then application of the 5% trim mean to eliminate outliers. The two approach used are Logarithmic transformation to reduce skewness and kurtosis of sample data, and

improved the statistical evaluation of the distribution and 5% trim mean which helps to eliminate the effect of outliers from the IBM SPSS version 21 as illustrated in the table 3 below.

Table 3. Descriptive Statistics with Logarithmic Transformation of Variables (Z score) and Trim mean

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Zscore(EPS)	59	-5.35306	1.60719	.0000000	1.0000000	-2.548	.311	13.306	.613
Zscore(PE)	59	-3.59270	4.88704	.0000000	1.0000000	2.515	.311	16.237	.613
Zscore(SPP)	59	-.42820	6.17140	.0000000	1.0000000	4.688	.311	25.988	.613
Zscore(NI)	59	-.47956	7.52924	.0000000	1.0000000	7.612	.311	58.289	.613
Valid (listwise)	N 59								

Table
Correlations among Variables (Z scores)

4.

		EPS	PE	SPP	NI
EPS	Pearson Correlation	1	-.038	.168	-.113
	Sig. (2-tailed)		.773	.205	.392
	N	59	59	59	59
PE	Pearson Correlation	-.038	1	-.096	-.020
	Sig. (2-tailed)	.773		.467	.878
	N	59	59	59	59
SPP	Pearson Correlation	.168	-.096	1	.061
	Sig. (2-tailed)	.205	.467		.647
	N	59	59	59	59
NI	Pearson Correlation	-.113	-.020	.061	1
	Sig. (2-tailed)	.392	.878	.647	
	N	59	59	59	59

Hypothesis testing. A total of 59 firms with 471 subsidiaries in the information Technology industry are included in the sample list wise to test for the group mean. These 59 firms gave a total of 472 cases with the four dependent variables (EPS and PE) and the one independent variables(Net Income) .Conducting a t -test with the selected sample size is the one of the best way to answer the research question by quantitative means as indicated in the figures below. Hypothesis Testing for H0: Adaptation of strategic philanthropy has no impact on performance of the firm in the recession on share earnings(T-Test for EPS Group Mean)

Table 5. Descriptive Statistics for EPS

	N	Minimum	Maximum	Mean	Std. Deviation
Zscore(EPS)	59	-5.35306	1.60719	.0000000	1.00000000
Valid N (listwise)	59				

The descriptive statistics in table 7 is as a result of IBM SPSS version 21 calculation of the minimum value, maximum value, sample mean and standard deviation for the whole sample when looking for mean difference in EPS as the external dependant variable in this analysis.

Group Statistics for strategic philanthropy adaptation and non adaptation in the sample

	SPP	N	Mean	Std. Deviation	Std. Error Mean
Zscore(EPS)	>= 0.2m	54	-.0286359	1.01643837	.13831974
	<0.2m	5	.3092673	.82472705	.36882915

Group statistics is the result of IBM SPSS version 21 calculation of sample size, sample mean, standard deviation and standard error mean when testing for mean difference in EPS with Strategic philanthropy as the main variable. 59 firms constitute the sample of which 54 firms in some way used strategic philanthropy during recession forming group 1 (with a cut off amount equal or greater than \$0.2million) and only five firms forming (group 0) did not adapt the strategic philanthropy as a new wave.

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means		95% Confidence Interval of the Difference			
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	
Zscore (EPS)	Equal variances assumed	.003	.960	-.720	57	.475	-.33790313	.46941351	Lower Upper
	Unequal variances assumed								

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Difference	Error	95% Confidence Interval of the Difference
										Lower Upper
Zscore (EPS)	Equal variances assumed	.003	.960	-.720	57	.475	-.33790313	.46941351		-1.27788 .60208122
	Equal variances not assumed			-.858	12.812	.429	-.33790313	.39391280		-1.33907 .66327251

The *t* test value in the figure 5 continued with equal variances assumed as $-.720$; this falls in the left hand rejection region for any commonly used α , and the *p* value is $.475$. The *p* value of $.475$ implies that the difference between the two means is not statistically significantly different from zero at the 5% level of significance. There is an estimated change of $-.337\%$ ($SE = .469\%$). However, there is insufficient evidence ($p = .475$) to suggest that Strategic philanthropy does impact firms performance. One can conclude that the mean of the Strategic philanthropy group is lesser than the mean of the non strategic philanthropic group. However, positive difference in mean between the two groups is statistically insignificant. Based on a confidence level of 95% and a confidence interval of $[-1.27, .60]$ one can say that Strategic philanthropy has no impact on firm's performance during the recession with regards to share earnings.

H0: Strategic philanthropy has no impact on the performance of the firm in the recession on share earnings is supported. Hypothesis Testing for H0: Adaptation of strategic philanthropy has no impact on performance of the firm in the recession on share earnings (T-Test for PE Group Mean)

Table 6. Descriptive Statistics for PE

	N	Minimum	Maximum	Mean	Std. Deviation
Zscore(PE)	59	-3.59270	4.88704	.0000000	1.0000000
Valid N (listwise)	59				

The descriptive statistics in figure 6 is as a result of IBM SPSS version 21 calculation of the minimum value, maximum value, sample mean and standard deviation for the whole sample when looking for mean difference in PE as the external dependant variable in this analysis.

Group Statistics for strategic philanthropy adaptation and non adaptation firms

	SPP	N	Mean	Std. Deviation	Std. Error Mean
Zscore(PE)	>= 0.2m	54	-.0228651	1.03139445	.14035501
	< . 0.2m	5	.2469429	.56718928	.25365476

Group statistics is the result of IBM SPSS Version 21 calculation of sample size, sample mean, standard deviation and standard error mean when testing for mean difference in PE with Strategic philanthropy as the main variable. 59 firms constitute the sample of which 54 firms in some way used strategic philanthropy during recession forming group 1 (with a cut off amount equal or greater than \$0.2million) and only 5 firms forming (group 0) did not adapt the strategic philanthropy as a new wave.

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2- tailed)	Mean Difference	Std. Difference	Error Difference	95% Interval of the Difference
										Lower Upper
Zscore (PE)	Equal variances assumed	.063	.803	-.574	57	.568	-.26980802	.47018618		-1.2113 .671723
	Equal variances not assumed			-.931	6.77 6	.384	-.26980802	.28989699		-.95991 .420300

The *t* test value in the figure 8 continued with equal variances assumed as $-.574$; this falls in the left hand rejection region for any commonly used α , and the *p* value is $.568$. The *p* value of $.568$ implies that, the difference between the two means is not statistically significantly different from zero at the 5% level of significance. There is an estimated change of $-.269\%$ ($SE = .470\%$). However, there is insufficient evidence ($p = .568$) to suggest that Strategic philanthropy does impact firms performance on share earnings. One can conclude that the mean of the Strategic philanthropy group is lesser than the mean of the non strategic philanthropic group. However, positive difference in mean between the two groups is statistically insignificant. Based on a confidence level of 95% and a confidence interval of $[-1.21, .67]$ one can say that Strategic philanthropy has no impact on firm's performance during the recession on share earnings.

H0: Strategic philanthropy has no impact on performance of the firm in the recession on share earnings is supported.

5.0 Conclusion and Recommendations

Conclusion thought on the analysis of the data suggests companies emerging from the downturn were committed to their communities, but also seeking to generate a bigger impact with their contributions. The key findings of this study reveals that in the information technology industry, there is enough evidence to support the hypothesis that adaptation of strategic philanthropy have no impact on the performance of the firm in the

quantitative measure on share earnings. The overall result shows some significant trend though statistically insignificant but practically significant but not to generalize for the industry.

Summary Table for Results of Hypothesis Testing

Hypothesis	Statistical Technique	Result
H0: SPP has no impact on firm's performance on share earnings.	Multiple regression	supported

The findings of this study will help in mitigating fear among critics and those on the school of thoughts who blame the concept on top management for using them to redeem their fallen image, and wastefully utilize shareholders money with no immediate and direct return. This study has indicated that even though corporations were still interested and loosely utilizing the strategy but that might not be the influencing factor that contributed to their low level turnover hence low profitability. This study will make significant contribution to literature because it uses combination of statistical tools for quantitative approach. It is recommended that a comprehensive study involving a large sample survey of corporate top executives on the topic of strategic philanthropy in particular will also contribute to literature and add extensive information to this study for future researchers. Researchers willing to conduct study in the strategic management area of philanthropy can consider other industry such as semiconductor industry where the application of this research is very minimal.

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Evaluating the effectiveness of Mobile Value Added Services (MVAS) with special reference to SMS Marketing

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Abstract

Mobility and virtualization are two trends that are changing the way people can access information while on the move. Mobile phones today have moved beyond their fundamental role of communications and have graduated to become an extension of the persona of the user. We are witnessing an era when users buy mobile phones not just to be in touch, but to express themselves, their attitude, feelings & interests through the use of various value added services (VAS). Customers continuously want more from their phone. Thus, there exists a vast world beyond voice that needs to be explored and tapped and the entire mobile industry is heading towards it to provide innovative options to their customers. The increased importance of VAS has also made content developers burn the midnight oil to come up with better and newer concepts and services. Short messaging service (SMS) is used by majority of mobile users for various purposes. This article explores the various types of mobile VAS accessed by Indian consumers and the effectiveness of SMS VAS as a marketing tool for the companies in Indian consumer market.

Keywords: Telecom Industry; Mobile Value added Services; SMS VAS; SMS marketing; Effectiveness

1. Introduction

Invention of mobile technologies and its evolution is the biggest boon to mankind. Telecommunication industry is growing at a rapid rate. There are 3.6 billion mobile subscribers worldwide as on year end 2014, out of which around 867 million mobile subscribers are Indian. Over 350 billion text messages are exchanged across the world every month.

Ever since mobile world came into existence, there has been continuous innovation around mobile services. Today, mobile phones have moved beyond their primary role of voice communications and have graduated to become an essential entertaining device for mobile users. We are in an era where users purchase mobile phones not just to be in touch with people, but use it to express their thoughts, for social networking, to show their interests, send photos, download images, play games, read news, surf on the Internet, listen to music, chat instantly with friends & families and even check their bank balances.

Table 1.1 Mobile Value Added Services (MVAS)

Nomenclature	
CRBT	Caller Ring Back Tone
GNI	Gross National Income
GPRS	General Packet Radio Services
MMS	Multimedia messages
MVAS	Mobile Value added Service
SMS	Short Messaging Service (text message)
TRAI	Telecom Regulatory Authority of India
USSD	Unstructured Supplementary Service Data (interactive menu based service)
VAS	Value Added Services

A mobile value added service (m-VAS) is the ability for mobile operators and service providers to charge a premium price for the services (beyond voice conversation) they offer to their subscribers (mobile users). Some of the services include: SMS (text messages), MMS (multimedia messages), USSD (interactive menu based services), CRBT (caller ring back tone), video streaming, mobile advertisements, participation in polls and contests, location based services, m-Commerce (financial transactions), Instant messaging, Infotainment services (news, weather reports, songs, recipes), content downloads (wallpapers, screen savers, games, ring tones), down loadable mobile applications.

All the value added services address some need of the end consumer whether it is psychological, monetary or convenience. Based on the need fulfillment of the end user, we have grouped Mobile VAS into four broad categories.

1.1.1 Entertainment VAS

The key differentiating factor of Entertainment VAS is the mass appeal it generates. These provide entertainment for leisure time usage. These not only generate heavy volume (owing to its mass appeal) but also heavy usage. An example of these kinds of services is Jokes, Bollywood Ringtones, CRBT (Caller Ring Back Tone) and games. These services continue to be popular and have been key revenue generators for the Indian mobile VAS market. This is a high value m-VAS and will continue to show growth.

1.1.2 Info VAS

These services are characterized by the useful information it provides to the end user. Apart from mobile, alternate modes are available to access Information VAS like Newspaper, TV, and Internet. E.g. of Info VAS is information on movie tickets, news, banking account etc. They also include user request for information on other product categories like real-estate, education, stock updates, etc. Information VAS needs to target the right person at the right time with the right content.

1.1.3 Communication VAS

The communication VAS includes those differentiated services which provide the users to set connectivity with his/her peer group. For example- SMS, checking mails on gmail or always on push mail interface, accessing mobile search engines, instant messaging on blackberry, video calling, facebook etc.,

1.1.4 M-Commerce VAS

These are the services which involve some transaction using the mobile phone. An example of this kind of service is buying movie tickets using mobile phone or transfer of money from one bank account to the other. These can broadly be classified into 2 types - Mobile banking and Mobile payments. A big boost to m-commerce has come from the RBI which recently came out with some guidelines. M-Commerce penetration continues to be small but awareness is increasing. Operators are betting on technologies like USSD to make the service handset agnostic. The current marketing focus is primarily on mobile bill payment and m-banking. Industry is betting on tripling number of m-Commerce users within this year.

In developed countries, mobile marketing is highly cost effective tool of marketing. Even in developing countries like Bangladesh, which is amongst the poorest countries in the world, with 50 percent of people living in poverty with gross national income (GNI) per capita of \$470, the mobile communications sector is growing rapidly and is cited as the fastest growing industry there (Scharl, Dickinger, Haghirian & Murphy, 2005). This article explores the various types of mobile VAS accessed by Indian consumers and the effectiveness of SMS VAS as a marketing tool for the companies in Indian consumer market.

2. Objectives of the study

This study is carried out keeping in mind the following objectives-

- ☐ To identify pattern of usage of mobile value added services among the demographic characteristics of the respondents.
- ☐ To evaluate the scope & effectiveness of SMS VAS marketing in Indian consumers.
- ☐ To assess associated challenges to mobile VAS in potential rural India.

3. Research Approach

Our study focuses on urban India and it covers 100 respondents across 7 cities of Delhi, Mumbai, Hyderabad, Bangalore, Chennai, Pune and Kolkata. The survey focuses on 30 VAS services across Entertainment, Information, Communication and m-Commerce. The study and the subsequent analysis of primary and secondary information also bring out an understanding of the services of the future, and the price people are willing to pay. The respondents were spread across different Socio Economic Classes, age groups, education backgrounds and working status. Thus, it is supposed to give deeper insights into various sections of the urban mobile VAS users.

4. Review of Literature

Mobile VAS marketing process can be defined as “using interactive wireless media to provide customers with time and location sensitive, personalized information that promotes goods, services and ideas, thereby generating value for all stakeholders”. This illustrates provision of value to both the marketing party and also to the consumer (Barnhart & Barnhart, 2000).

Mobile VAS has critically transformed communication industry and in turn significantly rejuvenated the experience of consumers and marketers as well. Consumers can easily receive information of their interest and that gives power to the advertisers in a cost- effective manner to develop and enhance long-term customer relationship. Keeping this benefit in view, the modern advertisers are adopting this important tool and relying on different modes of interactive technology for the promotion and advertising of their products and services (Pavlou & Stewart, 2000).

According to Faulkner and Culwin (2005), SMS VAS service is very effective for communication between one to one friends. But business organizations also think that it could be an important tool for business tasks and communication with customers. It was estimated by market research group Radicati that in 2004, 55 percent of text messaging was for business use, with much further growth to come (Sakhare, 2011). With the growing popularity of SMS marketing, many software services are coming in the market. This makes the entire process of sending and receiving messages easier and simpler. Mobile SMS marketing is considered as vast platform offering multiple avenues like bulk SMS service, two-way SMS exchanges and short code SMS services. With the help of bulk SMS service, multiple messages can be set to thousands of people which exist in the database and that too with a single click of the mouse (The Most Affordable and Ideal Umbrella of SMS Advertising and Marketing, 2011).

SMS usage continues to grow every year with more and more new innovative ways of utilizing its potential coming to the forefront. Indians are using SMS as an extension of their lives more and more every year. On an average an Indian sends 29 SMS per month (TRAI data). It's being used not just to keep in touch with friends and family but to check bank balances, mobile bills, and status of train/flight to name a few.

Indians use SMS for all sorts of reasons from receiving jokes to checking on flight status to enquiring about exam results. It's a very powerful medium for getting in touch with people without soliciting a backlash as seen on phone calls. It's effective for getting the message out to potential customers or retaining existing ones. Some key points of the TRAI report are:

- ☐ One in five urban Indians have used a SMS based VAS service either as a one-off or on subscription basis.

- SMS is an effective marketing tool, showing conversion rates a lot higher than other conventional mediums i.e. TV/Radio etc. 1 in 3 Urban Indian has acted in some manner over the SMS i.e. forwarding to others or enquiring about it.
- SMS, an advertising medium, has an interaction rate of around 5%.
- A quarter of urban Indians have participated in some sort of SMS contest, a valuable tool for getting consumers involved with products/services.

5. Findings & Interpretation

5.1 Mobile SMS VAS Usage Pattern

Males are generally more active users of SMS VAS services compared to their counterparts. While males are more interested in getting sports updates females are interested in spiritual and astrology quotes.

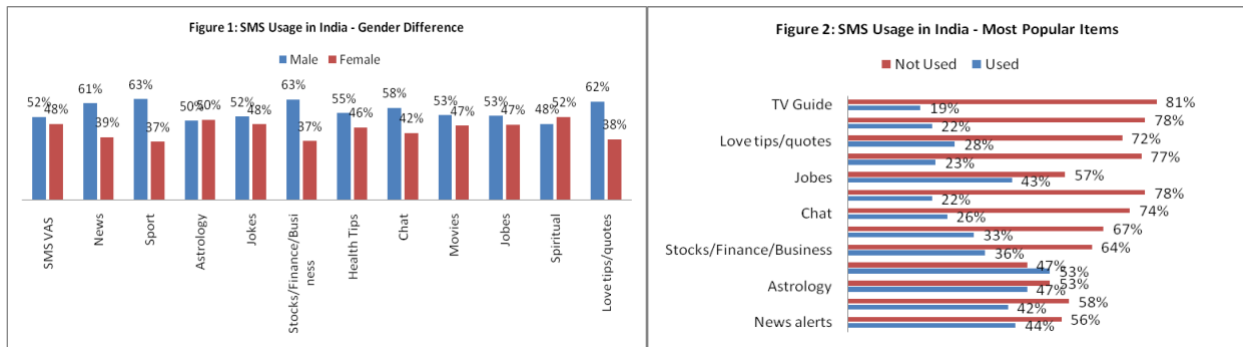


Figure 2 reveals that receiving jokes via SMS on phones is the most popular SMS VAS service, subscribed by 1 in 2 SMS VAS subscribers followed by Astrology (47%), News alerts (44%) and Jobs (43%).

5.2 Age wise Distribution of SMS VAS Usage

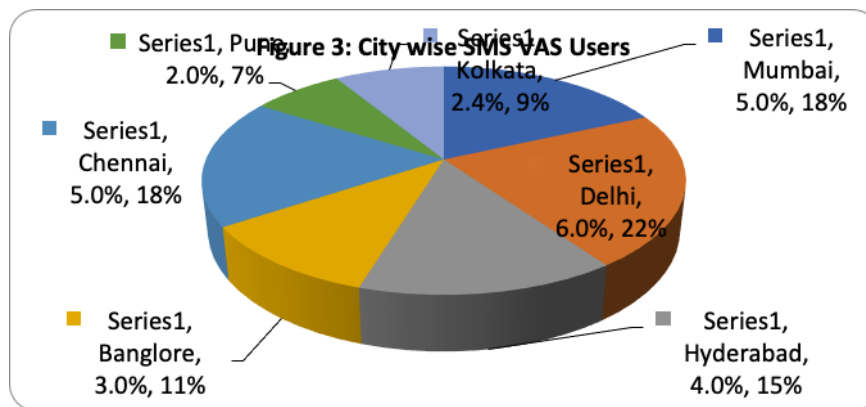
On looking at usage of SMS VAS services by age, SMS related to “Stocks/Finance/Business” are most popular among 55 years or older people while Jokes are the most popular SMS VAS service for 18 to 44 years old.

SMS Service	18-24 years	25-34 years	35-44 Years	45-54 year	Above 55 years
News alerts	44.70%	35.80%	50.20%	51.90%	46.10%
Sport	43.20%	41.70%	38.20%	42.70%	46.40%
Astrology	42.90%	42.30%	49.40%	62.40%	55.20%
Jokes	56.20%	52.80%	62.70%	43.10%	33.20%
Stocks/Finance/Business	29.00%	35.10%	43.10%	32.70%	56.70%
Health Tips	32.50%	32.80%	36.40%	31.90%	33.90%
Chat	31.30%	28.60%	21.60%	24.20%	2.40%
Movies	31.30%	25.40%	13.60%	10.80%	3.70%

Jobs	46.20%	43.30%	34.40%	41.00%	49.70%
Spiritual	21.60%	24.90%	18.10%	25.50%	26.80%
Love tips/ quotes	36.30%	32.30%	18.30%	28.30%	0.50%
Vastu	23.30%	23.30%	17.30%	23.60%	20.50%
TV Guide	16.60%	15.50%	22.80%	23.80%	29.50%

5.3 City wise Distribution of SMS VAS Users

SMS is a popular medium for delivering Value Added Services (VAS); it's a valuable revenue source for service providers, almost 5% of service provider's revenue comes from SMS VAS services being the highest revenue earning VAS. Almost 20% of Urban Indians or 1 in 5 have used a SMS VAS service over the quarter in last one year. On looking at the big 7 Indian cities, Delhities are the most avid users of SMS VAS services, accounting for 6% of all SMS VAS users in Urban India followed by Mumbai and Chennai at 5% each.



5.4 SMS as a Marketing Tool

SMS is increasingly being viewed by India Inc. as a source of getting in touch with their customers. This is evident from the fact that every second urban Indian acknowledged receiving marketing/promotional SMS on their phone. The intensity of using SMS for marketing/promotions is quite high with almost 75% receiving a minimum of 4 such SMS.

Table 2: Usage of SMS Marketing in India

Usage of SMS Marketing in India	
Product/ Services	Urban India
Downloads for ringtones, wallpapers, games	36.9%
Entertainment products like movies, music	36.3%
Financial products like Banking, investments, loans	33.6%
Offers to participate in a contest or game	31.1%

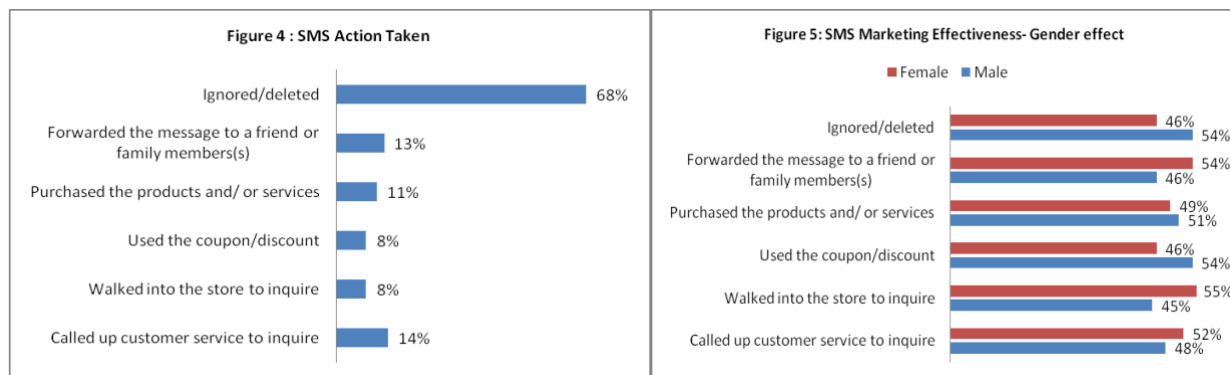
Other products(s) and/ or services	28.3%
Consumer electronics	21.0%
Travel products like airline tickets, railway tickets, hotels	20.6%
Food Services like restaurants, coffee shops, fast food	17.3%
Vehicles like cars, scooters, bikes	14.1%

5.5 SMS Marketing– Services

Companies offering downloads for ring tones/wallpapers/games use SMS as a marketing tool a lot more frequently, 37% of Urban Indians have received a SMS offering such products, followed by entertainment/media companies i.e. movies, music etc, garnering a 36% recall rate (Table 2).

5.6 Efficiency of SMS as a Marketing Tool

1 in 3 of Urban Indians who receive a marketing/promotional SMS takes some action while 2 out 3 deleted or ignore the message completely. Calling up to inquire (if number available) followed by forwarding message to others are the two most commonly cited actions taken on receipt of marketing/promotional SMS. While 11% also indicated they made a purchase on the basis of information received via SMS.

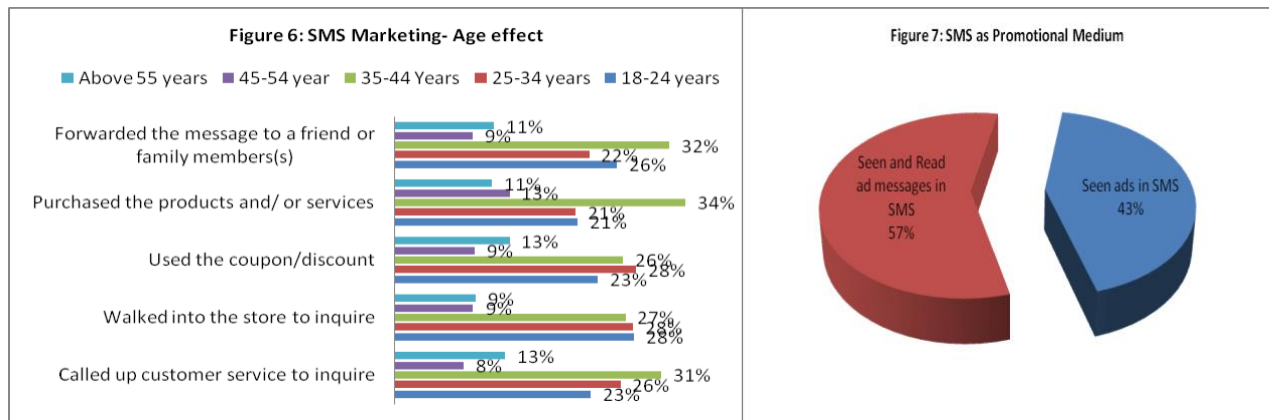


5.7 SMS Marketing Effectiveness – Gender Effect

Females are less likely to ignore and/or delete the message compared to males and are more likely to enquire further i.e. by calling up customer service or walking into the store. However males are more involved when it comes to using the coupons/discounts offered in SMS (Figure 5).

5.8 SMS Marketing Effectiveness –Age Effect

35 to 44 year olds are most likely to purchase a product(s) and/or service(s) based on information received via SMS, while in the same age group 32% forward the message to a friend or family member for further perusal. 31% in the age group 35-44 years showed their interest in product/service advertised though SMS in order to know more about the same.



5.9 SMS as a Promotional Medium

SMS is so widely used in India that it's now becoming a medium for advertising as well. Many companies are using this powerful medium to advertise their offerings. 43% of the urban Indian respondents, have seen an ad in a SMS they received, while 57% of those who have seen have also read the advertisement message. Such high level of awareness indicates the importance of this medium for promotional purposes.

5.10 Potential Market from Rural India

For majority of the population in the rural segment, the mobile phone is the first communication device. Rural should not always be interpreted as poor and therefore some categories of MVAS might apply directly to them. But whether the statement can be extended to MVAS depends on some key factors. One is to clearly identify the need of the rural segment, second is to communicate the services to them i.e. generate awareness and thirdly, to provide an easy and cheap access mode to the rural consumers. All these 3 are quite big challenges and therefore needs to be addressed adequately for MVAS to take off in Rural India.

Apart from the identification of rural consumer needs and development of relevant content, communication of these services to the rural population would be a bigger challenge. One way to do this is to communicate through regional SMS for which a separate SMS gateway needs to be installed. Literacy level of the geographical area will be another limitation. Therefore the better communication option is Voice in regional languages. The challenge with regional voice is not only investment but also blockage of the already scarce spectrum.

Marketing the content in rural market is going to be all the more challenging. This would require right packaging and pricing of MVAS. Providing cheap access mode to end consumer would be another key booster to rural MVAS. Current voice MVAS charges are expensive from a rural consumer perspective therefore that also would need to be addressed for e.g. the 'sachet model' could prove to be successful here.

MVAS is going to address two main needs of rural consumers- connectivity and entertainment mode. Connectivity will provide Information VAS on Agriculture necessary for the farmer's livelihood e.g. *mandi* rates, weather, etc. Health, finance, job opportunities etc are potential areas. Mobile also has the potential to evolve as a key entertainment mode considering lack of other entertainment options in rural areas. The industry has witnessed some type of content being downloaded more in small towns of UP and Bihar rather than in metros like Delhi and Mumbai. Therefore by leveraging on these two aspects MVAS can be a success in rural area.

Mobile interconnected industries are every day coming up with fresh and ground – breaking mobile technologies. Mobile VAS accounts to 10-12% of the total telecom revenues. Over 375 million mobile subscribers in India, out of which 8-10% of the total mobile subscribers are expected to be GPRS (General Packet Radio Services) subscribers as well. At present CRBT download and SMS (A2P) mobile VAS seems most popular amongst mobile users. With the launch of 3G services (faster data speed) in India, games download, video streaming, m-commerce, mobile blogs and mobile chat is expected to grow in future. As per TRAI predictions, mobile VAS revenue growth contributing to telecommunication industry is expected to grow to 30% in next 5-7 years, which is way beyond the current contribution of 10-12%.

6. Conclusion

India has a huge cellular subscriber's base which is approximately split in 70:30 between rural and urban users respectively. With falling prices of mobile voice calls and text messages, telecom operators are turning to additional services which are offered to customers; such services are called Mobile Value Added Services or MVAS. With diverse demography, lifestyle and consumer preferences amongst urban, sub-urban and rural consumers across the country, MVAS are destined to generate high returns. Value-added services (VAS) over the mobile are drawing increasing attention from operators and content providers. With its increased popularity in rural India, it can be a largest revenue fetching area to the value added service providers. It is continuously growing at rate of approximately 70% and contributes around 9-12% of mobile operator's revenue. SMS marketing is also very helpful from company's perspective because it is very cost-effective tool of marketing especially in case of reaching mass audience. The study concludes that this tool is here to stay and will grow significantly in upcoming years. In this regard migration to 4G from 3G will be a big enabler for richer services, and can actually drive higher average revenue per user (ARPU).

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Are there any relationship between demographic factors and job satisfaction of government school teachers? Case study of Kalmunai educational zone in Sri Lanka

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Abstract

This research study investigates the relationship between demographic factors and the job satisfaction of government school teachers working at Kalmunai Zone in Sri Lanka. 12 government schools were selected randomly for this research study. In order to collect required data Minnesota Satisfaction Questionnaire (MSQ) standard method was used. Reliability analysis, principal component Analysis, t-test and ANOVA were used to analyze the data. The results of the study indicated that gender, civil status, age and years of experiences do not have significant impact on job satisfaction. Whereas, ethnicity and educational qualifications has significant impact on job satisfaction.

Key words: Job Satisfaction; Government School; Kalmunai Zone; Demographic Factors.

1. Introduction

Teachers have very vital role in molding and refining the intellectual capacity of children during the phase of student hood or the formative period in the school. In the process of teaching and learning teachers the main stake holder, should be satisfied with their jobs.

Teaching profession is facing problems related to teachers' job satisfaction. The general perception is that teachers in the government schools are dissatisfied with their profession. In addition, demographic factors and teacher specific and school specific characteristics also affect by the job satisfaction. We should always remind that "the future of our nation lies in the hands of our children and the future of the children lies in the hands of the teachers". According to Rajkatoch (2012) when teachers are satisfied with their job they can perform responsibilities with more concentration and devotion.

In this research study the demographic factors of government school teachers in Kalmunai zone in Sri Lanka is compared with their job satisfaction. For this purpose MSQ standard questionnaire was administrated to government school teachers in Kalmunai zone to collect data. Questionnaire is prepared with five point likert-scaling system (1-extremely satisfied to 5-not satisfied). The questionnaire was divided into two sections. Part-A consisting questions relating to personal characteristics of the respondents known as demographic factors, part-B consisting questions relating to job satisfactions.

Job satisfaction can be measured through the variables: Ability utilization, Achievement, Advancement, Creativity, Job security, Compensation, Social status, School policies & practices, Working conditions and Moral values. Each variable consists 5 sub-questions to measures the main variable. The study comprised 64 government schools in Kalmunai zone in Ampara district Sri Lanka. Twelve Schools were randomly selected as sample to achieve the goal of this research study. There are 635 government school teachers of which 271 males and 364

female teachers working in the selected schools. Out of 635 teachers 170 (27%) teachers were randomly selected from twelve schools to collect data for this research of which 73 male and 97 female teachers and also equal number of educational qualification (G.C.E.(A/L), Diploma & Degree) teachers.

To achieve the goal of this research study this research paper is composed into five sections. Section 2 derives the literature review; section 3 gives research methodology; section 4 describes data analysis and discussions. And in the last section conclusions and recommendations are given.

2. Literature Review

Job satisfaction is a major research activity throughout world in all walks of organizational life including education. More of the work is done in business and industry, however, a reasonable number of studies have also been conducted in the field of education throughout the world. Every individual needs job to fulfill basic needs. It shares in strengthening the financial basis for individuals' life style. Therefore job satisfaction is a most interesting field for many researchers to study work attitude in workers (Koustelios, 2001).

Rajendren and Veerasekaran (2013) studied relationship between demographic factors and job satisfaction of secondary school teachers, the study revealed that there was a significant difference of job satisfaction between male and female secondary school teachers. However no significant difference was found between the job satisfaction of urban and rural teachers. Thus, it is important to overcome the problem in order to give maximum job satisfaction to teachers. According to Saba and Zafar (2013), appropriate compensation, equivalent promotion opportunities, job security, suitable working conditions and work itself can positively influence on job satisfaction level of employees in both public and private universities of Pakistan.

Raj and Lalita (2013) also studied the demographic factors and job satisfaction of government and private school teachers. The study revealed that there is no significant difference in the level of job satisfaction of male and female teachers. Furthermore, it was again revealed that there is no significant difference in the level of satisfaction of Govt. and Private school teachers. Yapa, et, al., (2014), the study found that civil status and age were the most significant factors affecting the job satisfaction, gender and level of education has no significant affect on job satisfaction. The job satisfaction of unmarried staff was higher than the married staff. The younger staff members were more satisfied than older staff members. Jahufer (2015) studied the demographic factors and job satisfaction of government and private bank employees. The results revealed that there is a significant different between demographic factors: gender, types of bank, distance to working place and job satisfaction. Whereas there is no significance different between demographic factors: civil status, year of experience, age, ethnicity, educational qualification and job satisfaction.

According to Sharma and Jeevan (2006) the degree of job satisfaction secured by teachers is not high and the reason lies in insufficient pay. Secondary level teachers are more satisfied than primary level teachers. Contrary to expectation, private school teachers are more satisfied than government school teachers despite the poor pay package, due to the congenial atmosphere in the private schools. Female teachers are more satisfied due to the nature of the job and the socio-cultural value of the profession. The level of education inversely affects the pay satisfaction of the employees working at the same level. Satisfaction with teaching as a career, not merely as a job, is an important policy issue since it is associated with teacher effectiveness, which ultimately affects student achievement.

3. Research Methodology

3.1 Objective of the Research Study

The present research study intends to achieve the following objectives:

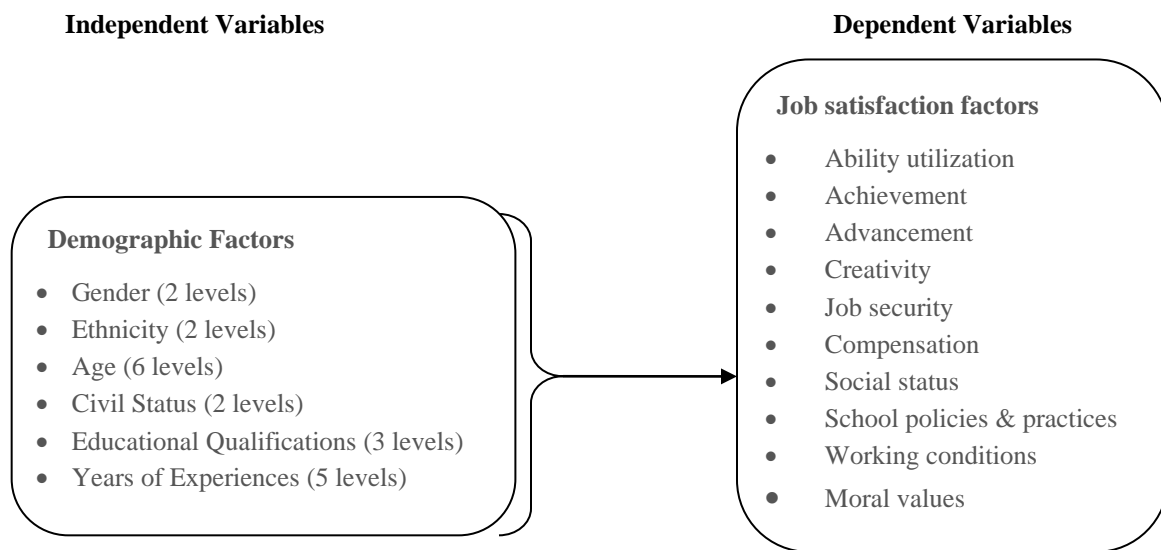
1. To explore teachers' job satisfaction in government schools in Kalmunai zone, Sri Lanka.
2. To study the relationship between demographic factors: Gender, Ethnicity, Age, Civil Status, Educational Qualifications and Years of Experiences with job satisfaction factors: Ability utilization, Achievement,

Advancement, Creativity, Job security, Compensation, Social status, School policies & practices, Working conditions and Moral values of government school teachers in Kalmunai zone, Sri Lanka.

3.2 Theoretical frame work

The main objective of this research study is to find relationship between the Independent and Dependent variables. The theoretical frame work of this research study is given in figure-3.1.

Figure 3.1: Theoretical frame work



4. Data Analysis and Discussion

4.1 Demography Factors

The frequency distribution tables for demography factors are given in table 4.1.

Table 4.1: Frequency distribution table for demography factors

Demographic Factors	Level	Frequency	Percentage
Gender	Male	73	42.9
	Female	97	57.1
Ethnicity	Muslim	135	79.4
	Tamil	35	20.6

Age	Below30	15	8.8
	30-35	51	30.0
	35-40	32	18.8
	40-45	24	14.1
	45-50	26	15.3
	Above50	22	12.9
Civil status	Unmarried	18	10.6
	Married	152	89.4
Educational Qualifications	G.C.E.(A/L)	57	33.5
	Diploma	57	33.5
	Degree	56	32.9
Years of Experiences	Below5 years	14	8.2
	5-10 years	74	43.5
	10-15 years	22	12.9
	15-20 years	11	6.5
	Above 20 years	49	28.8

4.2 Reliability Analysis

Before applying statistics, testing of the reliability of the scale is very much important as it shows the extent to which a scale produces consistent result if measurements are made respectively. This is done by determining the association in between scores obtained from different administrations of the scales. If the association is high, the scale yields consistent result, thus is reliable. Cronbach's alpha is most widely used method. It may be mentioned its value varies from 0 to 1. But satisfactory value is required to be more than 0.6 for the scale to be reliable.

The cronbach's alpha estimated for job satisfaction factors that are given in table 4.2. As the cronbach's alpha in this study were all much higher than 0.6, the constructs were therefore deemed to have adequate reliability.

Table 4.2: Cronbach's Alpha Values for Job Satisfaction Factors.

Variables	Cronbach's Alpha	Number of Sub Variables
Ability utilization	0.896	5
Achievement	0.889	5
Advancement	0.812	5
Creativity	0.880	5
Job security	0.826	5
Compensation	0.855	5
Social status	0.829	5
policies & practices	0.828	5
Working conditions	0.854	5
Moral values	0.874	5

4.3 Principle Component Analysis

The principal component analysis is very useful analysis to reduce the large number of correlated variables into uncorrelated variables. In this study, the job satisfaction measured by 10 main variables (factors). Each variable has 5 sub variables. These sub variables were reduced as one variable using principal component analysis and the reduced variable contains large amount of original information. Generally the reduced variables are containing more than 70% of original information is acceptable and considered for further analysis.

In this research the reduced variables were contained the following percentage of information. The Ability Utilization is explained by 73.5% original of information, Achievement is explained by 74.1% of original information, Advancement is explained by 73.3% of original information, Creativity is contain 81.4% of original information, Job security is explained by 81.7% original of information, Compensation is explained by 81.8 % of original information, Social status is explained by 78.3% of original information, School policies & practices contains 77.6% of original information, Working conditions is explained by 81.7% of original information and Moral values is explained by 83.4% of original information respectively.

4.4 t-Tests for Demographic Factors Gender, Ethnicity and Civil Status

Results of independent sample test that was implemented with the purpose of testing whether there is meaning full differences between male & female, Muslim & Tamil and unmarried & married teachers in terms of job satisfaction factors and the results are given in table 4.3.

Table 4.3: The Independent sample t-test results by Gender, Ethnicity and Civil Status.

t-Test Results							
Demographic Factors	Group	Mean	SD	Df	t-value	Sig.p	95%Confidence Interval
							Lower Upper

Gender	Male	5.0646	1.2276	168	1.166	0.245	-0.147	0.5710
	Female	4.8527	1.1314					
Ethnicity	Muslim	4.8420	1.1142	168	-2.242	0.026	-0.928	-0.059
	Tamil	5.3358	1.3300					
Civil Status	Unmarried	4.8549	0.7659	168	-0.338	0.736	-0.679	0.480
	Married	4.9542	1.2156					

From the table 4.3, the probability values are $P = 0.245$ ($t=1.166$) for Gender, $P = 0.026$ ($t=-2.242$) for Ethnicity and $P = 0.736$ ($t=-0.338$) for Civil Status respectively. The 95% confidence interval for mean differences for job satisfaction by gender & Civil status are contain zero and the p-values are more than 0.05. These results indicate that, there is no significant difference in overall job satisfaction of male & female and unmarried & married government school teachers. That is, the male & female teacher's job satisfactions and unmarried & married teacher's job satisfactions are same. Whereas, the 95% confidence interval for mean differences for job satisfaction by Ethnicity is does not contain zero and also the p-value is less than 0.05 from these results it is confirmed that there is a significant impact on job satisfaction of teachers by Ethnicity, moreover, Tamil teachers are more job satisfaction than Muslim teachers.

4.5 ANOVA Results and Discussion for Variables Age, Educational Qualifications and Years of Experiences

Results of ANOVA that were implemented with the purpose of testing whether there is meaning full differences between teacher's educational qualifications, teacher's age levels and teacher's experience in terms of job satisfaction. The ANOVA results are given in table 4.4.

Table 4.4: ANOVA results by Age, Educational Qualifications and Years of Experiences

ANOVA Table					
Demographic Factors	Source of Variations	Df	Mean Square	F	Sig.p
Age	Between Groups	5	1.528	1.111	0.357
	Within Groups	164	1.376		
	Total	169			
Educational Qualifications	Between Groups	2	6.191	4.680	0.011
	Within Groups	167	1.323		
	Total	169			
Years of Experiences	Between Groups	4	1.691	1.232	0.299
	Within Groups	165	1.373		
	Total	169			

According to table 4.4, the probability values for age and years of experiences on job satisfaction of teachers are 0.357 ($F=1.111$) and 0.299 ($F=1.232$) respectively. The P-values are more than 0.05, these values are indicated that there is no significant impact of age levels and years of experience on job satisfaction of teachers. That is, the teacher's job satisfactions are same by level of age and years of experiences. However, there is a significant impact of teacher's Educational Qualifications on the job satisfaction of government school teachers. That is the teacher's qualification levels have different impact on job satisfaction. To check the impact level of mean comparison test is carried out and the results are shown in table 4.5.

Table 4.5: Tukey HSD Multiple Comparison Test results for level of educational qualifications

(I) Edu.Qua	(J) Edu.Qua	Mean Difference (I-J)	Std. Error	Sig.
G.C.E.(A/L)	Diploma	.0547015	.2154296	.965
	Degree	-.5448684	.2163892	.034
Diploma	G.C.L.(A/L)	-.0547015	.2154296	.965
	Degree	-.5995699	.2163892	.017
Degree	G.C.E.(A/L)	.5448684	.2163892	.034
	Diploma	.5995699	.2163892	.017

From the results in table 4.5, the mean differences of G.C.E.(A/L) & Degree, Diploma & Degree are significant at 5% level. Therefore the G.C.E.(A/L) qualification teacher's job satisfaction is different from Degree qualification teacher's job satisfaction and also Diploma qualification teacher's satisfaction is different from Degree qualification teacher's job satisfaction. According to Tukey HSD the mean differences for level of educational qualifications indicated that the Degree level teachers have more job satisfaction than the G.C.E.(A/L) qualification teachers and Degree level teachers have more job satisfaction than the Diploma level teachers.

4.5 Correlation among Job Satisfaction Variables

Correlation among job satisfaction variables are given in table 4.6. According to the correlation probability value there is a positive correlation among job satisfaction variables at 1% significance level except (Compensation & Social Status) and (Compensation & Moral Values). This correlation results confirmed that job satisfaction variables measure the teacher's job satisfaction.

Table 4.6: Correlation among job satisfaction variables.

	p1	p2	p3	p4	p5	p6	p7	p8	p9
p2	0.707								
	0.000								
p3	0.496	0.628							
	0.000	0.000							
p4	0.655	0.759	0.689						
	0.000	0.000	0.000						
p5	0.334	0.423	0.494	0.522					
	0.000	0.000	0.000	0.000					
p6	0.092	0.125	0.399	0.181	0.167				
	0.231	0.104	0.000	0.018	0.030				
p7	0.517	0.637	0.503	0.638	0.613	0.111			
	0.000	0.000	0.000	0.000	0.000	0.149			
p8	0.509	0.506	0.489	0.506	0.459	0.281	0.530		
	0.000	0.000	0.000	0.000	0.000	0.000	0.000		
p9	0.407	0.364	0.362	0.488	0.458	0.392	0.494	0.580	
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
p10	0.517	0.501	0.365	0.486	0.504	0.042	0.591	0.439	0.372
	0.000	0.000	0.000	0.000	0.000	0.584	0.000	0.000	0.000

Where, P₁- Ability utilization P₂- Achievement P₃- Advancement P₄-Creativity
P₅- Job security P₆- Compensation P₇-Social status
P₈- School policies & practices P₉-Working conditions P₁₀-Moral values

5. Conclusions

Results of the study indicated that the gender & civil status do not have significant impact on Teacher's job satisfaction. But ethnicity has significant impact on job satisfaction. That is the male & female teachers have same level of job satisfaction and unmarried and married teachers have same level of job satisfaction. But Tamil teachers are more satisfied than the Muslim teachers with their job. Level of age and years of experiences have same level of job satisfaction. But, the educational qualifications have significant impact on job satisfaction. That is the G.C.E.(A/L) teacher's job satisfaction is different from Degree level teacher's job satisfaction and also the Diploma level teacher's job satisfaction is different from Degree level teacher's satisfaction. That is the Degree level teachers more satisfied than the G.C.E.(A/L) qualification teachers and Degree level teachers more satisfied than the Diploma level teachers with their job.

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Comparative study of accounting and Islam: The practice of pawnshops (*Boroh*) in Rokan Hilir– Province of Riau

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Abstract

The purpose of this research is to find the interpretation of Ar-rahn or “boroh” and its implication of the perspective of marhun and rahin. Informants are from marhun and rahin in Pujud Rokan Hilir. Data is collected through interviews with informants and analysed by employing phenomenology. The results show that informants often practise Ar-rahn and don't care about the sharia principles are violated. His findings is a murtahin utilized by marhun with permission or without the permission of rahin and ignore the maintenance costs. When the Murtahin sold to pay off debts but the fact murtahin directly into the right marhun without any auction process. Recognition and measurement of pawn transactions occur, the receiver will pledge to hand over money to pawner deal pawner actual harm. Because, as long as the goods have not redeemed the mortgage lien pledge collateral then stuff it into the right receiver pledge to use it. Revenue Service over the lien of the goods obtained from the collateral in the form of garden that are still productive. This is the contradiction with PSAK 107 as pawn collateral items must not be used by the recipient and the recipient's pawn pledge will earn service revenues for pawning goods has not been paid.

Keywords: Ar-Rahn, “Boroh”, Islam and Accounting

1. INTRODUCTION

In the economic development of the increasingly high and an increase in consumption in the middle of the public good that the need for education, the need to meet daily needs and the more distressing further need in following the rise in other people's purchasing power. When the public needs increased, while the economic capacity is not increasing local people always looking for ways to cut to get the sources of funds quickly namely by means of a pawn the garden that still productive to murtahin or in local communities named with “*boroh*”. Indonesian language, in order a vocabulary “*boroh*” not found but more approaching is the word pawn or fiduciary (*ar-rahn*). This phenomenon is much going on middle of public, especially in the middle of the public Pujud Rokan Hilir Riau. In this case this area is location research. Practices “*boroh*” happened in form of pawn garden still productive but not worn loan interest. In these practices, returns obtained in form of murtahin has the right to garden results of being pawned for funds that are loaned have not been returned. But usually the deadline rahinan given it is not clear and if any provisions time, rahin they will pay according to their loan. However, garden results of being pawned have the optimum result but during the funds that are loaned have not been returned, then debt fixed amount money lent. And when rahin incapable of restore the funds hence, the garden become their property. The pawn is a commonplace in the midst of the people in time of need a loan. Pawn here as a guarantee to the lenders believe in rahin. In the concept of Islam, the pawn neglect flowers and returns, and more to *qardul-hasan* (out of benevolence) and *yadh dhamanah*. *Yadh dhamanah* is an airman calneh airman where the receiving party may use and take advantage of assets were. Nevertheless, rahin or pawning must ensure the precious things used as warrantor the loan. The number of loans has limits between 60 % of up to about 70 % of the total value of an asset that being collateral. This is the place that unite parties *rahin* money and the owner of money by personal belongings as guarantee. The slogan fiduciary “address the problem today is without problems” because if borrowed funds to

the bank, the process was longer because filing credit harder. To the process pawn; begins with appraisal conduct assessment on goods security for known value pawn the goods. Value pawn is the value of describing of how limit the amount of money will lent. If the *rahin* approving, then *rahin* will obtaining funds coming some value pawn. The fiduciary will obtain services and charged to *rahin* called with interest. This interest could be paid 15 days when *rahin* is redeeming or pay the debt. For example, loan value Rp.5000,00 until Rp.40.000,00 interest 1.25 %, will be charged loan value up to Rp40.000,00 until Rp.150.000,00 will be charged interest 15 % and will be charged for a loan up Rp.150.000,00 interest 17.5 % and so on interest will be increased in accordance with a nominal loan. According to Mohammad Fazli, funding scheme *ar-rahn* is a fund short term never involving interest and not permitted use interest except are the activities an invalid. In the research, “*boroh*” or pawning that implemented societys sub-District Pujud District Rokan Hilir gave on services having risk collapse of a assets or wealth. Practices pawn like this also requires accounting framework thorough that can produce measurement accounting the exact and appropriate so can communicating information accounting on time quality of being reliable and reduce absence of difference treatment accounting. This kind of practice is not the same as the interest rates because the system is a kind of *riba* prohibited in Islam. *Riba* in Islam can be defined as “a premi” which must be paid from the borrower to lend with the number anyway as the condition of maturity or the end of loan. Based on background above, then the formulation issue in this research is: “How practices “*boroh*” (fiduciary/pawn) that happens in society Sub-DistrictPujud District Rokan Hilir according to views Islam and accounting?”

2. LITERATURE REVIEWS

2.1 Pawn (Ar-Rahn)

According to Sri Y. Susilo (1999), fiduciary is a person who acquired rights had debts of a chattels. Chattels the submitted to creditor by a that have a debt or by others in the name of him who has the debt. A person who owes must provide power to creditor to use chattels which are has submitted to pay its debts if parties who owes cannot settle their obligations at maturity. Pawn in arabic called *rahn*, meaning in language is “*ats-tsubut wad dawaam*”, meaningfui fixed and lasting. *Rahn* well as language can bermakna *al habs* (restrained). *Rahn* literally is fixed, eternal, and guarantees. Generally the term *rahn* is what is called with a guarantee on the debt. *Rahn* covenant also refers to a loan agreement with a bail or detention of property by the borrower. As collateral for the loans he received. The new pawn items can be handed back in the owe if the debts had been paid off. The *Rahn* Covenant aims the lender is to trust the party owed. Maintenance and storage of goods, it is in fact the obligation parties are pawn (*rahin*), but can also be done by the party receiving goods pawn (*murtahin*) and the cost is to be borne *rahin*. According to terms syar’i, meaningful *ar rahn* become the treasure as collateral debt (loans) to be paid in part or for the property when it failed to pay off the debt. Ar-rahn Fatwa issued by the Dewan Sharia Nasional (DSN) the Majelis Ulama Indonesia (MUI) No. 25/DSN-MUI/III/2002 stating that loans with a debt mortgaged goods as collateral in the form of various provisions allowed *Rahn*. The Criterias are as follows:

- *Murtahin* (receiver goods) has the right to hold *marhun* (goods) until all the debt *rahin* (hand over goods) repaid
- *Marhun* and its benefits remain belonging to *rahin*. In principle, *marhun* should not be exploited by *Murtahin* except with the express permission of *Rahin* *Marhun* value and not reduce its utility it just replacement costs of maintenance and treatment
- Maintenance and storage basically incumbent *marhun* *rahin* but done also by *murtahin* while the cost of maintenance and storage remains an obligation of *rahin*.
- Maintenance and storage costs of the *marhun* should not be determined based on the loan amount.
- Sales *marhun* applies when: [1] If the maturity, *murtahin* should be warned to immediately pay off the debts *rahin*. [2] If you still can't pay off *rahin* debt then the forced sale/*marhun* executed through the auction according to Sharia, [3] *Marhun* proceeds used to pay off debt, the cost of maintenance and storage of unpaid as well as cost of sales, [4] Surplus sales proceeds belong to *rahin* and weaknesses become obligations of *rahin*, [5] Other Provisions are: If one of the parties does not fulfil his obligations or if there is a dispute between the two sides, then the solution is done through the Board of arbitration Syari% u2019ah not reached agreement after consultation. This Fatwa is valid from the date specified by the terms at a later date if it turns out there are errors, it will be modified and enhanced as-where appropriate.

2.2 Evidence Shows That A Pawn

The Word Of Allah SWT: “If you on the way (and bermu' amalah not in cash) yet you do not get a writer, then let there goods dependents held (by creditor). But if some you trust partly the other; then let that which is held to fulfil his tasks (debt) and let him cautious to God their Lord; and do not (the witness) testimony will hide.” (QS. Al Baqarah: 283). From “Aisyah Radhiyallahu ‘Anha, she said: “Mohammed SAW never buy food from Jews by cash (debt), then he ‘alaihi wa sallam said gave it form armor”. (narrated by Al-bukhaari, no. 2068 and Muslim No. 1603). The scholars agreed that rahn is allowed and this has been done since the days of the Prophet *sallallaahu ‘alaihi wa sallam* until now, and no one betray it.

2.3 Ijma

The scholars are unanimously agreed that would have allowed a pawn (*ar-rahn*), although some of them crossed the opinion when the pawn was made in a State. However, the opinion that *rajih* more (strong) is that a pawn in two States do it. For a history of Anas and Aisha *radhiyallahu ‘anhuma* above clearly show that witchcraft was *Shalallahu ‘Alaihi wa Sallam* did *muamalah* pawn in Medina, and he was in no condition to travel, but are currently not travelling.

2.4 Elements and order of the Pawn (Ar-Rahn)

In practice, a pawn in the Sharia has four elements, namely: [1] Ar-rahin, that is the people that pawn goods or borrow money with assurance goods. [2] Al-murtahin, that is one who receives goods of being pawned or who lends money. [3] Al-marhun / ar-rahn, that is goods of being pawned or lent. [4] Al-marhun bihi, that is money loaned because there are goods of being pawned.

2.5 Sharia Pawn Transaction Techniques

Basically Pawn Sharia ' top two covenant transaction, that are: [1] Covenant *Rahn*. *Rahn* does is hold the property of the borrower as collateral for the loan that he received, the holding acquired a guarantee to take back all or part of receivable. [2] Covenant *Ijarah*. The covenant transfer of use rights over goods and services through payment of wages or the rent, without transfer of ownership of the followed by the goods themselves. The Syaria Foundation of the operational mechanism of the Syaria pawn can be described as follows: through the covenant, customers submit rahn chattels and then pawn shops store and take care of him in a place that has been provided by pawn shops. Consequences that arise from the storage process is the incidence of the costs covering investment grade storage, maintenance costs and the overall process of its activities. On this basis is justified for pawn shops charge rent to the customer according to the amount that was agreed upon by both parties. Pawn sharia will gain benefits only of duties the rent collected not additional form of interest or rent capital that reckoned from borrowed money. So here to be said the process of loan and borrow money only as “lipstick” that will attract the interest of consumers to keep loot in pawnbroker.

2.6 The Order and Terms Of Pawm (Ar-Rahn)

In practise, sharia of pawn has three order, there are: [1] *Shighat* (consent and qabul), [2] *Al-‘aqidan* (two people who did contract *ar-rahn*), i.e. the pawn (*ar-rahin*) and who received the pawn/collateral (*al-murtahin*) , [3] *Al-ma’qud ‘alaihi* (which became the object of contract), that is item pawned (*al-marhun*) and debt (*al-marhun bihi*). In addition to the basic provisions of the third, there was the additional provision called terms, i.e. There must be *qardh* (the handover). [4] If all conditions above are met, in accordance with the provisions of the Sharia, and performed by decent people do *tasharruf* (action), then the pawn covenant (*ar-rahn*) is valid. *Muamalah* required in the following pawn: [1] Requirements that relating to people who transact the people that pawn loot is one who has competence continue, namely baligh, understanding and *rusyd* (the ability to regulate). Terms relating to the *Al-Marhun* (pawning goods) there are two: Required in *muamalah* pawn the following: [1] Goods of pawn valuables to cover his debts, either the goods or the value when it is not able to pay it off. [2] Pawning goods belongs to the person who pawned or allowable for him to make a pawn collateral. [3] The pawn goods must be known size, type and nature, because Al-Rahn is a transaction or property that required it. Requirements relating to *al-marhun bihi* (a debt) is debt obliged or which finally become compulsory. **Pawn Not Mandatory**, Writer *Al Mughni* said, “unknown the mistake on this matter that pawn as security of a debt is not obligatory”. While the commands

mentioned in this paragraph, is not mandatory, but only the command command Ershad (guidance). And strengthened further with the paragraph: “ But if some you trust partly the other; then let it fulfill its mandate entrusted (debt)”. Pawn is a command when there is an excuse to write debt. The writing itself is not mandatory, then the same is the case with the pawn instead. Pawn be Allowed In A State Not Trip (Safar), If we look in verse mentioned above pawn exists when *safar*. But it does not show in addition *safar* should not be. The proposition that asserts that may when a person 's *mukim* and made a pawn is hadith: "When the Prophet sallallaahu 'alaihi wa sallam passed away, mortgaged his armor to the Jews as a guarantee for 30 sho' wheat (which he bought on credit)" (Narrated by Bukhari no. 2916).

2.7 General Provisions In Fiduciary Syari'ah

There are a few general provisions in muamalah pawn after the handover pawn goods. Among them: [1] Goods Can Pawned, “*Rasulullah shallallahu 'alaihi wa sallam* forbidding the sale dogs, income courtesans and wages quackery” (HR. Bukhari no. 2237 and muslim no. 1567). Goods which have pawned are goods that have economic value to be surety for owners money. Thus, goods that cannot merchantability, because nothing anyhow, or unclear to merchantability is appertain goods that cannot pawned. Therefore, the main purpose of pawnshops are prescribed cannot be reached with the unlawful items or can not be sold. Goods of being pawned be either land, rice field, house, jewelry, vehicles, electronics, letter share, and others. So, if anyone attempts to pawn a dog then pawnshop this invalid, because dogs not lawful to be sold. [2] Goods Pawn Is Trustful, the Status of the goods to be on hand during the pawn giver of debt is as a mandate to take care of it as well as possible. As one of the consequences of a mandate in case of damage was unintentional and without any error in the treatment procedure, then the owner of the money has no obligation to indemnify. In fact, I wish people who pawn items it requires that its debt to give compensation in case of damage even without intentional, then this requirement is not valid and is not mandatory. [3] A Pawn Goods Held Its Debt, the pawn of goods in the hands of its debt during the pawn agreement, as the word of God (which means): “If you on the way (and exchange benefits (muamalah) on credit) yet you do not get a writer, then let there goods dependents held (by creditor).” (QS. Al-baqarah: 283). [4] Utilization of Goods Pawn, the giver of the debt is not permitted to make use of it. Because, before and after pawned, pawn goods are the property of the debtor, so it is used to belong to the person who owes it completely. As for the debt, then the giver he just reserves the right to withhold the goods, as a guarantee of the money borrowed as a debt by *rahin*. Thus, its debt is not permitted to make use of it, either with permission or without the express permission of *rahin*. When he utilizes without permission, then it is real, and when he used with permission *rahin*, then it is usury. As each loan brings benefits then it is usury. Thus the legal origin of the pawn shops that adhere to the same method with debts. Yet there it may be utilized if it is feared it will it damaged or destroyed. Like an animal that has a dairy and animal mounts can be used according the given expenditure on debt and the giver should not be more than that. From Abu Hurayrah, the Prophet *sallallaahu 'alaihi wa sallam* said, “Goods pawn form of animals steeds may ridden according a living being applied. Milk is squeezed out of goods pawn such as animal feedings may be taken as a given income. However, people are riding and drinking milk shall be obliged to provide food” (narrated by Al-Bukhaari, no. 2512). [5] Repayment Of Debt With A Pawn, if the maturing debt, then one who owes a debt refinancing obliged pursuant to the time that has agreed with the grantor debt. When you have paid off the goods it was returned to its owner. However, when people are not able to pay off his debts owed, then the giver is entitled debt it sold to pay the debt repayment. When it turns out that there are remaining then become a right *rahin* pawn. On the contrary, when goods price has not been paid off its debt, then shall he who sell goods is still bear the rest of his debt. Research conducted by Rinnah Dahlina (2005) proved that pawn sharia is basic agreement as the object of an agreement in which include a method of fee-based income (FBI) and recipient pawn will get letters evidence pawn by using covenant loan borrowwing (pawn sharia covenant) and *ijarah* covenant (rents). If the covenant period is not extended then sold his grace pawner approved by *marhun* to pay off debts. From the description above, this research use methods qualitative by effort to obtain answers to phenomena practices “*Boroh*” (pawnshop) that happens in society Sub-District Pujud District Rokan Hilir are in accordance with Islamic law. In the description above mentioned that giver debt not justified to harness goods pawn; either by permit *rahin* or without permit from him. If she used without permission, then it clear unclear, and if she used to license *rahin*, so that was usury (*riba*). Because every loan that brings benefits so that was usury (*riba*). Thus the legal origin of the pawn shops that adhere to the same method with debts. Then, when *rahin* funds can't afford to pay a debt to a certain period of time then, *murtahin* will take the property rights of the garden or the assets of any warranty “*boroh*” without calculating the selling price of the asset. So the incidence of injustice in the society between *rahin* and *murtahin*. In terms of sharia, Islam want of justice.

2.8 Accounting Record Rahn (Pawn) and Financial Accounting Record

For parties who accept the pawn (murtahin), At the time of receiving the goods pawn are not journalized but make receipt of goods, [1] At the time of handing over of money lending , journal: Dr. Receivable , Cr. Cash. [2] On receipt of the money for maintenance and storage costs, journal: Dr. Cash, Cr. Revenue, [3] At the time the cost for maintenance and storage costs, journal: Dr. Expense, Cr. Cash, [4] At the time of repayment of the loan money, pawning goods returned by making the sign of the handover of goods, journal: Dr. Cash, Cr. Receivable, [5] If at maturity, the debt can not be repaid and then the goods are sold by the pawn, pawn Sales of goods if the value is equal to the receivables, Journal: Dr. Cash, Cr. Receivable, If less, then the receivables remains a number of the difference between the value of the sales by balance of receivable. [6] For The Mortgaged, at the time of submitting the asset is not journalized, but received a receipt for the delivery of the asset and make an explanation of the accounting records of the goods pawned [1] At the time of receiving the loan money, journal: Dr. Cash, Cr. Payable. [2] Pay money for storage and maintenance costs, journal: Dr. Expense, Cr. Cash, [3] When done over debt repayment, journal: Dr. Expense, Cr. Cash, [4] If at maturity the debt can not be repaid so pawning goods sold at the time of sale of goods pawn, journal: Dr. Cash (debt), Dr. accumulated depreciation (if fixed asset), Dr. Loss (if loss), Cr. profit (apabila benefit), Cr. Asset.

3. Research Methods

This research uses qualitative research methods, namely the research that aims to build a proposition and explained the meaning behind the social reality that occurs. This research is also a research library (library research). The Data used in this research in the form of books, journals and other relevant sources. After this research data collected continued with the analysis of data with qualitative, descriptive methods of analysis. The study of what is happening in the world and put the findings obtained therein as a researcher to see reality or events that take place in the field with natural environmental background. The method used in this study is the direct interviews with informants who have been determined by researchers. Informants were selected are: [1] Subject not only to know and be able to provide information but also to live in earnest as the result of a long engagement with the environment or activity concerned. [2] Subject is still active and directly involved in the incident or the environment. The use of the data collection techniques considering that the phenomenon is different from the abstract concrete. Concrete phenomena can only be understood as the existence of which is a creation that is generated in certain conditions. By using the above technique, researchers can explore different interpretation-interpretation and interaction, as well as the views are diverse and opposite the top of a certain fact. The technique was first used in this study is of unstructured interviews. While the second, which is also observed as the main method used to collect the data that is the consideration of the often different from what it does as well as the difficulty in obtaining information for informants who did "boroh" was embarrassed to give information. Thus, researchers need to conduct intensive approach to the informant could be more open to providing information. In this research, a discussion is needed in order to obtain further information and in-depth to analyze the data obtained. In line with this, research and Maclullich Sucher (2004) revealed that a more accurate study so the results need to be discussions on the parties associated with the object under study.

4. Result and Discussion

Community who still practice "boroh" were in Rokan Hilir Pujud that is the object of this research. The object of this research is a local community (Ethnic Malays and Expat communities-ethnic Javanese) that in fact the Islamic community and strong in its religious traditions. The phenomenon of local society was always sold or mortgaged asset owns a garden or to earn money instantly. And the public tend not to think more profoundly negative effects arising in the future. In the research, researcher tried to dig information from several informant who have different interests between one party (informer a and b as rahin) and the other side (informer c for murtahin). From informants who were interviewed, they give different answers about how often mortgaged their gardens. Their answer is (have been translated from the Malay language Rokan to in Indonesian language):

According to the informant A: *"Not often, only when I need funds urgently but sometimes difficult course also decide to pawn the people"*.

According to the informant B: *"If I was often mortgaged. When faced idul fitri ceremony, when my son would find a job and sometimes other needs are very urgent"*.

A statement from the informant above, that the pawn or "boroh" was done because of an urgent need. This is consistent with the fact in public that people tend to pawn their belongings for a quick and easy to obtain funds. B In informants mentioned that the pawn or "boroh" is needed when there is an urgent need. Of the two informants who have been interviewed, the informant was used to perform the pawn (boroh). As seen increasingly high demand for fresh funds in the community and enrich the increasing practice of pawning or "boroh", then, it was a welcome opportunity to *murtahin* to use the funds to be distributed to the public. Statements given by informants C is:

According to Informant C: *"I often lend money with assurance the garden"*

From the statement of the informant C can be seen that the practice of pawning or "boroh" becoming more frequent in the community. Practice pawn (boroh) this is common in societies less concern for the losses and the gains will be obtained on a later day. This is evidenced by the results of the interview follows:

According to Informant A: *"I know the pawn loss to society. Hurt, ruined our garden, especially rubber plantations will be destroyed when the loan I was able to return but we do need fresh funds"*.

According to Informant B: *"The loss of our gardens are not treated but the results taken hold. But we can not do anything about it because it was a deal"*.

Informant A knows about the losses in the pawn (boroh) to ensure their garden. So is the B informant who knew the risks and losses, in the pawn. From the second statement informants there is a mismatch with the Book of *Al-Al-Islami wa Fiqhu Adillatuhu*, Az-Zuhaili Wahbah work V/183 stating that (1). Pawn goods means it is a mandate for the status of goods in the hands pawn creditor is a mandate that he must keep his best. (2). The utilization of goods pawn by the giver debt not be allowed to benefit from pawn goods. Therefore, before and after the mortgage, pawning goods are owned by the debtor, thereby limiting belong to the person who owes entirely. In accordance with the hadith of the Prophet Muhammad SAW: From Abu Hurairah, Rasulullah *shallallahu 'alaihi wa sallam* said: *"Pawn goods as it be animal mounts can be ridden as a living being given. Milk is squeezed out of pawn goods such as animal feedings may be taken as a given income. However, people are riding and drinking milk is obliged to provide food"* (Narrated by Bukhari no. 2512). Then from a previous interview that the pawn collateral remain untapped by *murtahin*. Thus, the researchers wanted to see what the informant A and B on the mortgaged farm risk will be destroyed. Here are the results of the interview:

According to the informant A: *"I know the risk of the garden will be ruined but we do need fresh funds"*

According to the informant B: *"Usually the gardens will be destroyed, especially rubber plantations, the result will be enforced rubber to deliver results in the short-term lot. So will damage the quality of the rubber tree"*.

From the information provided by informants A and B informants stated that they knew the risks were obtained as collateral in the form of the garden will be used and not maintained the integrity of the collateral. This is contrary to the Book of *Al-Al-Islami wa Fiqhu Adillatuhu*, Az-Zuhaili Wahbah work V/183 which states that a creditor is not permitted to utilize the pawns, either with permission or without permission from her *rahin*. When he used without permission, then it is clearly unlawful, and when he took advantage of the *rahin* permission, then it is usury. Because every loan that brings a benefit then it is usury. Thus the legal origin of the pawn shops that adhere to the same method with debt receivable From informants C wants to obtain information about the practice of pawning or "boroh" in which the collateral is utilized by *murtahin* or not. The following statement informant C:

According to the informant C is: *"Boroh" is borrowing the funds to guarantee the bail gardens and orchards can I use their garden for my money has not been refunded"*.

From the above statement, there is conformity with the understanding possessed by informants A and informant B but it is not according to the *Al-Al-Islami wa Fiqhu Adillatuhu*, Az-Zuhaili Wahbah work V/183 which states that a creditor is not permitted to utilize pawns. So the magnitude of the losses will be borne by *rahin* and already known then the researchers want to find out other alternatives to raise funds at lower risks and disadvantages. The second informant's statement follows:

According to the informant A: *"I really needed the money and there is no other way. That's the easiest way"*.

According to the informant B: *"There is no other way, forced to do because the need is so urgent than asking for help with a family, that can not help from family. We will not feel uncomfortable or hurt"*.

From a second informant's statement, it can be concluded that the requirement that funds that led to the practice of pawn (boroh) high losses and risks getting penetrated in the middle of the community. With the growing practice of pawning (boroh) indicates that not knowing of "boroh" it is allowed in Islam or not. Here are the results of interviews with both informants:

According to the informant A: *"It seems that the risk of" boroh "was indeed a great and unfair but it already murtahin we are in need of help, in return we invite utilize his services is our garden with our garden will be ruined risk. It had been a risk "*.

According to the informant B: *"If Islam does not allow the problem or not, I do not know because I am not educated. But when I think, Islam does not make an issue because we've helped, so as our garden was countered his services, even though our debt is not reduced"*.

The information is obtained from two different informants. A informant said that the practice of pawning (boroh) was unfair but because they feel it is in need of these funds the sense of injustice minimized by rahin. While the information obtained from the informant B that he did not know about Islam permits not know because of the low level of education. The following information obtained from the informant C is: According to the informant C: *"Usually the guarantee will be mine after the funds were not returned more than one year. Problem is fair or not, I think it is fair just because I have helped them. So the result was a service or flowers that I received and I do not know if Islam allows this practice or not. "Boroh" should not it? Surely allowed. The problem results from the guarantee, I think I deserve it because of their use of funds. So, it was a reply to his services"*.

It becomes unfair because of the results of the collateral that can be used by murtahin and the collateral is not guarded by murtahin. Crops that serve as the collateral benefits that serve as a remuneration or interest. The following information obtained from the informant C:

According to the informant C: *"I received the results in the garden" boroh "right according gardens that have been pawned. Before I give you money, I did the first survey of the garden. The amount I get is all these crops for my money has not been returned and the crops can not reduce the principal debt"*.

From the information obtained on this form gives the garden its guaranteed maximum remuneration to murtahin means that lenders take advantage of the garden when the Book was not justified to exploit pawns, either with permission or without permission from her rahin Al-Al-Islami wa Fiqhu Adillatuhu , works Wahbah Az-Zuhaili V/183 stating that the creditor is not allowed to utilize the pawns, either with permission or without permission from her rahin. With the result that the maximum collateral acquired by adverse murtahin rahin because the garden is not treated. But the question whether these results can reduce the maximum principal. The following information obtained from the informant C is:

According to the informant C is: *"The result was great because I had a survey before the liquid funds and the results will not reduce the principal debt"*.

Then the information obtained from the informant informant A and B together with information obtained from informers C is warranted despite maximal crops but can not reduce the principal debt. Before practice lien (boroh) it happens, there is usually an agreement between murtahin and rahin. The following information obtained from the informant informant A and B:

According to the informant A: *"Our agreement was that I borrowed some Rp.150.000.000, - with an area of 2 hectares of rubber plantation and is still productive as guarantee to borrow more than I choose to bank. Processes in the bank for a long time and not be able. So, the deal is our garden will become the property of the owner of the funds as long as I was not able to return the loan and the time limit of 2 years. So, if the past 2 years, due to not being able to pay the loan then our garden becomes their property"*.

According to the informant B: *"The agreement was that the garden will be submitted to murtahin if I can not afford to pay. Well that was the deal"*.

The interview above gives information in the form of collateral to be its high level of productivity. While the information from the informant C is:

According to the informant C is: *"Usually the guarantee will be mine after the funds were not returned more than one year. Problem is fair or not, I think it is fair just because I have helped them. So the result was a service or flowers that I received"*.

From informant obtained the information that B will belong marhun murtahin if rahin not afford to pay means no auction process *Shariah* compliance against the *murtahin*. This is contrary to the MUI statement no. 25/DSN-MUI/III/2002 that states (1). *Marhun* Proceeds are used to pay off the debt, the cost of maintenance and unpaid storage and selling costs. (2). Excess sales proceeds belong rahin and shortcomings become liabilities *rahin*. From the description above, provide information that is contrary to the MUI statement no. 25/DSN-MUI/III/2002 who explained that *Marhun* and benefits remain the property *Rahin*. In principle, *marhun* may not be used except by permission *Rahin Murtahin* without reducing the value *Marhun* and use it just for the cost of maintenance and care. And do not correspond well with the *Kitab-al-Islami wa Fiqhu Adillatuhu*, Az-Zuhaili Wahbah work V/183 that lenders are not allowed to utilize the pawns, either with permission or without permission from her rahin. When he used without permission, then it is clearly unlawful, and when he took advantage of the rahin permission, then it is usury. Because every loan that brings a benefit then it is usury. Thus the origin of mortgage law that adheres to the same norm of debts receivable. Seen from a statement, all an informer there are conformity that practices pawn which is not in accordance with the sharia is much happens in society. In terms of the principle of mutual help, it has

helped *rahin* to obtain fresh funds. But viewed from the side of justice, then the injustice that has been far from *Islamic sharia* because it tends to not be keeping *marhun* well. In fact *marhun* utilized by *murtahin* without thinking of the rights owned by *rahin*. This is contrary to the Book of *Al-Al-Islami wa Fiqhu Adillatuhu*, Az-Zuhaili Wahbah work V/183 stating that: (1). Pawn Goods means it is a mandate for the status of goods in the hands pawn creditor is a mandate that he must keep his best. (2). The utilization of pawn goods by creditor is not permitted to utilize the pawn. So, if the Indonesian Pawnshop using that slogan "Troubleshooting without a problem", but the pawn is practiced by people in the place of domicile of informants even bring in new problems such as the "Troubleshooting the Problem". *Islam is Rahmatan lil'alamin*, what if people practice Islam properly instructed in the welfare of human beings all over the earth will be created.

4.1 Pawn Accounting Practice (Boroh) That Occurs In Pujud Rokan Hilir In Riau Province

In Ijarah Agreement (PSAK 107) as an example rahn gold. In determining the costs and rental income (ijara) or storage contract is based on sharia is the companion of the associated pawn where the recognition and measurement as well as disclosure and presentation are:

- Recognition and Measurement, there are some provisions for the recognition and measurement described in PSAK 107, that are: [1] Loan / cash valued at the amount lent at the time of the occurrence. [2] Rental income during the period of the contract is recognized when the rewards of the asset (rent) has been handed over to the tenant (rahin). [3] Recognition storage costs are recognized when incurred.
- Presentation and Disclosure. Based on the explanations contained in PSAK 107, the presentation and disclosures include: [1] Presentation, ijara revenues are presented net of related expenses. For example, the burden of maintenance and repairs and so on. [2] Disclosure, revealed in a report murtahin Ijarah and Ijarah transactions related muntahiyah Tamlik bits. A common explanation of significant contents of the contract which includes but is not limited to: (a). The existence wa'ad transfer of ownership and mechanisms used (if any wa'ad transfer of ownership). (b). Restrictions. (c). Collateral used. The existence of transaction-and-ijara (if any). Illustration journal: When the bank receives the pawn goods not journalized but just make a receipt. At the time the bank pays cash to rahin. Journal (Dr) Pawn finance / receivable, (Cr) Cash. At the time the bank received the money for the rental cost of the benefit asset (rent) which is a rental income for the bank. Journal, (Dr) Cash/ Receivable, (Cr) Rent Revenue. At the time of repayment of the loan money, pawning goods returned by making the sign of the handover of the goods. Journal (Dr) Cash, (Cr) Pawn financing/ receivable. If at the time of maturity of debt can not be repaid *rahin* and then pawning the goods sold by the bank. There are several provisions that: (1) Sale of pawn goods is equal to receivables. Journal, (Dr) Cash, (Cr) Pawn financing/receivable. If less, then the remaining amount receivable from the difference between the sales value of the outstanding amounts. If so, then the remainder of the debt payments to mortgage financing will be returned to the customer, after reducing the cost of the pawning goods for sale.
- Recognition And Measurement Pawn Sharia Financing. According Suwardjono (2007) recognition is an amount of dollars or the cost of assets that are used to recognize when the number of dollars that arise from transactions, events or circumstances. Meanwhile, according to the definition of measurement Suwardjono (2007) is the determination of the amount of dollars that should be put on an object at the time of the asset will be used as baseline data to follow the flow of the physical object. In recognition and measurement, there are several provisions for the recognition and measurement are described in PSAK 107, namely: [1] Loan/ cash valued at the amount lent at the time of the occurrence. [2] Rental income during the period of the contract is recognized when the rewards of the asset (rent) has been handed over to the tenant (rahin). The following illustration of mortgage financing in the form of gold pawn in Bank X : Mrs. Sprott gold pawned at Bank X to an urgent need that should he meet. The yield of 23 -carat gold with a weight of 10 grams and with a value estimated as of April 1 for IDR.391.705 . The calculation of the cost of care (rent) to be paid Ms. Sinta and the maximum loan amount that can be borrowed by him , namely : Heavy gold x gold market value when it = 10 grams x IDR.391.705 = Maximum IDR.3.91705 million loan by Bank X = 90 % x IDR. = IDR.3.91705 million. IDR.3525345 rounded to IDR.3.525 million. Sprott mother could get a maximum loan of IDR.3.525 million . The calculation of the cost of care is made the Bank X is a standard that is counts per three months to IDR.19,350 x 3 (30 hari/10) x 3 months = IDR.174 150. In addition , there are also other costs that have been established as there are also administrative costs to a weight of 10 grams gold IDR16.000. If pawner and mutual banks have agreed to repay the sharia mortgage financing amount paid by the customer per three months for a period of 1 year is IDR.3.525 million/3 = IDR.1.175 million. Here are three of the recognition and measurement of gold pawn sharia financing

on important events as follows: At the time of the contract sharia mortgage financing, Bank X recognizes sharia mortgage financing occurs when the contract and hand over the cash to the bank when the bank's customers are signed and disbursed principal financing (loans) in accordance with the agreement of the bank and its customers. The recognition in accordance with PSAK 107 part 1 which states that the mortgage financing of gold valued at the amount lent at the time of the occurrence. When the contract has been approved and sharia pawning pawning goods have been received by the bank, then the sharia mortgage financing is measured by the number of poles that had been given at the time of submission of the loan. However, if the review is more in the practice, banks do conventional liquefaction is defined as the transfer of the balance of the principal amount (loan) from a bank account to the customer's account. Customer has not received the funds in cash so that it can be interpreted that the disbursement is merely symbolic. Meanwhile, according to Islamic principles that the recognition of the assets to do when something has actually happened and recognition and a new recording made at the time of the transfer of assets (either in the form of cash or non-cash) of the bank as the owner of the funds to the customer. This is done because according to muamalah, Islamic banks tend to use the cash basis (cash basis) in conducting the recording of accounting because it is the most humane way. In contrast to conventional bank that uses the accrual basis (accrual basis). Pawner also charged an administration fee set by the bank and pay occurs when the financing agreement. For example in the above case Sprott Capital, Bank X will recognize and measure the sharia mortgage financing, banks to give loans at the time of receiving the goods and pawning the journal as follows: At the time of the sharia pawn financing agreement: Journal (Dr). Qardh financing IDR.3.525.000, (Cr). Cash IDR.3.525.000, Journal of paying customers at the time of administration: Journal (Dr). Cash IDR.16.000 (Cr). Administration expense IDR.16.000, At the time of repayment of mortgage financing sharia, Journal (Dr). Cash IDR.3.525.000 (Cr). Qardh financing IDR.3.525.000, Journal (Dr). Cash IDR.174.150, (Cr). Services income rent IDR.174.150.

- At The Time Of Receipt Of The Installment Or Payment, In accordance with the Islamic Sharia banks as partners of the customer are not permitted to sue the customer making the payment the customer's financial circumstances aggravating. Pawn gold payments in financing the obligations can be made at maturity of quarters months after contract. While. payment by installment system on Sharia financing pawn could also be carried out in accordance with the contract at the beginning of the transaction. If in the process of financing the Islamic pawn, financial difficulties experienced borrowers, the bank doing the extension of financing and rental fees will be calculated again the same before the extension of financing that must be paid by the customer. This event is logged when the rental fee has been received by the bank in accordance with the accounting logging is done using the basic Islamic bank cash (cash basis). If there is a payment or installment receipt the bank acknowledged him as a deduction of principal financing and recognizing rental income over the rental fees paid by customers who have used her services. However, if the amount paid by the installment amount is less than the amount which should be paid in advance, the bank acknowledged him as the rental income to the service leave has been granted by the bank and then the rest are recognized as deduction of credit (loan). In the case of Mother Sita above, then any installment payment or installment of financing Islamic pawn is treated as a deduction/reduce financing Islamic pawn. This payment the Bank of X mencatat as follows: At the time of the sharia pawn financing agreement, Journal (Dr). Qardh financing IDR.3.525.000, (Cr). Cash IDR.3.525.000, Journal of paying customers at the time of administration: Journal, (Dr). Cash IDR.16.000, (Cr). Administration Revenue IDR.16.000, At the time of sharia mortgage financing installment, 1 month installments, Journal, (Dr). Cash/ Miss Sinta account IDR.1.175.000, (Cr). Qardh financing IDR.1.175.000, At the time of repayment of mortgage financing sharia, Journal, (Dr). Cash/ Miss Sinta account IDR.1.175.000, (Cr). Qardh financing Rp.1.175.000, (Dr). Cash IDR.174.150, (Cr). Services income rent IDR.174.150. For cases which occurred in practice pawn (boroh) in Pujud Rokan Hilir in Riau Province does not occur the transaction recognition and measurement. When the pawn transaction occurs, the recipient of the pawn will hand over the money to the penggadai with the agreement of the parties is detrimental to the actual penggadai. Because, as long as the item has not been redeemed the pawn collateral goods collateral pawn becomes a pawn for the recipient's right to exploit it. Revenue Service over the pawn is obtained from the results of the collateral in the form of the goods who is still productive. The risk of breakdowns and maintenance it became the responsibility of the penggadai. It was a contradiction with the PSAK NO. 107 due to collateral pawn goods should not be utilized the receiving party pawn and pawn will earn income beneficiary services during a pawn goods not yet penetrated.
- Revenue Recognition and Measurement. There are provisions in PSAK No. 107 for recognition and measurement of revenue from the standpoint murtahin / LKS namely: (1). Rental income during the period of the contract is recognized when the rewards of the asset (rent) has been handed over to the tenant (rahin). (2). Dukur receivables or cash and is valued at realizable value (NRV) at the end of the reporting period. At the time of the extension of sharia mortgage financing. In sharia mortgage financing process in a client state can not pay its

obligations in due time GKA jan it will be granted an extension of time of payment in accordance with the agreement of the customer. At the time of Bank X receives payment of rental fees when due from the customer at the time recognized as revenue, Bank X will be recorded into the journal as follows: Repayment of lease services for the first 3 months, journal, (Dr). Cash IDR.174.150, (Cr). Service Revenue Rent a place IDR.174.150, Repayment of mortgage financing and lease sharia second place 3 months, Journal, (Dr). Cash IDR.3.525.000, (Cr). Qardh financing IDR.3.525.000, (Dr). Cash IDR.174.150, (Cr). Service Revenue Rent a place IDR.174.150.

- In The Event Of A Pawn Auctions, In sharia mortgage financing process in an unbiased condition customers repay their obligations in maturity and had diberikanperpanjangan future payments but have not been able to meet its obligations, then it will be warned first day if the customer can not pay off then the Bank X will conduct an auction of goods pawn. And when goods are recognized at auction pawn loan amount after deducting the costs associated when sharia mortgage financing process (within four months) the auction price of Rp. 3,900,000 until the goods are auctioned. The excess auction proceeds net of loan principal and rent, it will be d iberikan back to the customer, the bank then record it on a case Mother Sita as follows: (a). Pawn auctions (gold) Journal, (Dr). Cash IDR.3.900.000, (Cr). Customers while funds IDR.3.900.000, (b). Repayment, Journal, (Dr). Customers while funds IDR.3.900.000, (Cr). Cash/ Miss Sinta account IDR. 200.850, (Cr). Qard financing IDR.3.525.000, (Cr). Service Revenue Rent a place IDR.174.150. If there is a shortage / losses on auction items auction then pawning (gold), journal, (Dr). Cash IDR. 3.550.000, (Cr). Customers while fund IDR.3.550.000. In the event of Redemption, journal, (Dr). Customers while funds IDR.3.550.000, (Cr). Qard financing IDR.3.525.000, (Cr). Service Revenue Rent a place IDR.25.000, (Dr). The removal of receivable qard financing IDR.149.150, (Cr). Ijara receivables losses IDR.149.150. For cases which occurred in practice pawn (boroh) in Pujud Rokan Hilir in Riau Province does not occur the transaction recognition and measurement. When the pawn transaction takes place and dilunaskan, recipient of the pawn will hand over the collateral pawn to the penggadai item with the condition that has been utilized. As it is, pawn collateral items for ketentaunnya not yet redeemed this pawn collateral goods then become a pawn for the recipient's right to exploit it. The risk of breakdowns and maintenance it became the responsibility of the penggadai. It was a contradiction with the PSAK NO. 107 due to collateral pawn goods should not be utilized the receiving party pawn and pawn will earn income beneficiary services during a pawn goods not yet repaid.

5. Conclusion

Based on the explanation of ketiga informant who has been interviewed, they interpret that pawn that they do is a matter of course, and they feel that this practice does not really matter in accordance with Islam. And here it appears that people have not too concerned with matters relating to the practice of Shariah compliance. There are several findings of the things that is contrary to Islamic law. The first, Marhun should not should not be used except by permission Rahin Murtahin without reducing the value Marhun and use it just for the cost of maintenance and care, but the reality is contrary to sharia premises marhun utilize murtahin and do maintenance on murtahin when murtahin a mandate and still murtahin rahin to the right. Second, if murtahin used to pay off debt to marhun marhun used the proceeds to pay off debt, the cost of maintenance and storage as well as the unpaid cost of sales and selling excess proceeds belong rahin and kekuranganya be rahin liability. But the reality is contrary to the sharia lapangang murtahin will belong marhun if rahin not afford to pay means no auction process Shariah compliance against the murtahin. Thirdly, in Islam are required to help each other and were forbidden to eat his own brother because of practices that give rise to fiduciary element of injustice or persecution between marhun against rahin although the reasons for helping the needy. Then, on the recognition and measurement of pawn transactions occur, the receiver will pledge to hand over money to pawner deal pawner actual harm. Because, as long as the goods have not redeemed the mortgage lien pledge collateral then stuff it into the right receiver pledge to use it. Revenue Service over the lien of the goods obtained from the collateral in the form of garden that are still productive. And when the transaction occurs and the lien paid off, the receiver will deliver goods collateral lien lien to pawner with conditions that have been utilized. Because, ketentaannya for goods unredeemed pledge collateral then this pledge collateral goods into the right receiver for memanfaatkannya. Hal lien that is the conflict with PSAK No. 107 as pawn collateral items must not be used by the recipient and the recipient's pawn pledge will earn service revenues for pawning items yet repaid.

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Sexual harassment in the workplace: A case study on victims and harassers at public universities

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Abstract

The aim of this study is to compare the personality of the perpetrator and the victim of sexual harassment and other forms of sexual harassment committed by perpetrators and sustained by the victim. In addition, this study also examines the level of understanding of the terms of the perpetrator and the victim of sexual harassment. Moreover, we have to discuss how they resolve this sexual harassment. A total of 48 offenders and 50 victims of sexual abuse were randomly selected using social-metric methods at public universities as a research study. The Sidek Personality Inventory and Sexual Harassment Survey North (SGSU) was employed for this study in order to obtain the data. The understanding of the sexual harassment derived from a questionnaire developed by the researcher based on the definition given by previous researchers. All data were analyzed using descriptive statistics. The finding shows that demographic factors can serve as a clue about the victims and perpetrators of sexual harassment. The results also showed that the subjects' understanding of these terms is limited. Moreover, the results also showed that the perpetrator and the victim have a different personality. In addition, the perpetrator and the victim are doing or experiencing a form of sexual harassment varies.

Keywords: Sexual harassment, factors of sexual harassment, forms of sexual harassment behavior.

1.0 Introduction

The issue of sexual harassment in the workplace in our country gaining attention due to a number of revelations and allegations of the victim. This indicates the level of public awareness on the issue is growing. To ensure that the desire to minimize the number of cases of sexual harassment efforts of various parties, including the purpose of the police force is regarded as vital. In addition, the disclosure should be made in understanding the community and this includes sexual harassment and educate the workforce at all levels of the organization, curb and punish the perpetrators after the legislative process. As we all know, sexual harassment is not a new issue, but it has become a global issue that has been widely discussed by many parties, not just in this country but around the world. Every day, there is only news that talks about the issue either through electronic or print media. The main treatment is centered on the victims themselves. Researchers strive to determine the factors that led to sexual harassment occurs. Lastly, many agents has been found to answer the question of why this immoral behavior is willing to do by harassers. Most of the consequences of past studies indicate that the alleged victim was not safe at work or psychological stress to interfere with their everyday lives. Directly or indirectly, the gist of the action immoral is finally associated with low performance and loss victims be borne by the governing body. Apparently, sexual harassment in the workplace has long lived in the western states. It is associated with an act of sex discrimination. Early scientific studies done on sexual harassment in detail by the Merit Systems Protection Board on the public sector in England in 1981. However, earlier studies have also raised awareness about the sexual harassment. These disciplines include the Redbook Magazine (1976), through the article Survey: How do you deal with the question of gender in the workplace? For example, Farley (1978) through his plan of sexual harassment against women in the workplace. Therefore, if preventive measures are not conducted by the organization or the parties concerned, the possibility of eventually act of sexual harassment can become an epidemic in the community. Based on the problems arising from immoral behavior, this study was examined to prevent this problem in our country. The aim of this study was to study the personality of the victims and perpetrators of sexual harassment. Previous studies have

highlighted that less attention was given to these variables. According to Abdul Rahim (2003) there is a personality variable associated with sexual harassment. Each victim and the perpetrator have a personality problem that caused them to determine the action. In addition, this study also identifies understanding of both the perpetrator and the victim in the terms of sexual harassment and other forms of sexual harassment are often committed by the perpetrator and the victim suffered.

The Merit Systems Protection Board explained from the results of the study: (1) background factors such as nationality, race, education level, and gender offender classification is not so related to sexual disorders. Factors that are tightly related to age, level and composition, gender in a collection of work, (2) same prey, which is men or women that younger than those who composed, not marry, highly trained and usually engaged in clerical work. Pray also composed than they have accrued in a job that does not become the practice time ago as male secretary or female traffic police, supervised by a differ gender and the collection was dominated by their work than gender differing groups. Sexual harassment occurs in the workplace can be divided into two situations:

1.1 Quid Pro Quo

This happens to a person who has the "power to control" the employee who is a victim. Those in responsible positions showed their ability to perform indecent acts against employees in an organization. Those who do not obey the orders of their leaders to commit these acts will be emphasized during the exercise. For instance, in the case of *Hensen Iwn City of Dundee* 682F.2d 11th Cir.1982 897.904, a court in the United States outlined four victims must prove the existence of a quid pro quo, namely:

- a. Victim whether male or female subject to the insured.
- b. Victims receive unwanted sexual harassment.
- c. Complaints of harassment based on sex and sexual matters.
- d. Complaints made by workers who are victims will affect the rights of an employee.

Quid pro quo is absolutely normal in cases of sexual harassment in the workplace. It involves the influence of power. Employers and supervisors have the power to hire and fire workers. Thus, the power available to them such as promotion and pay remuneration in employment is their right in an organization, particularly in the private sector and the erection and this is an advantage for them to do something obscene on its employees.

1.2 Environment poses a threat

Harassment can occur between fellow employees. Harassment of these workers may arise from word and deed. This includes discussions about sexual activity, which should not touch, remove the comment on the physical properties of a person; using signals and obscene language. For example, in *Porcelli Iwv. Strathclyde Regional Council* (1986) IRLR 134 case, a female technician employed as a laboratory technician along old man worked there. From the evidence shows that the problem would not arise if the technician (the victim) was a man. Accused says he was sexually abused based solely on gender. Court Section of the United States ruled that the test specification is pin-point the existence of sexual harassment, but not seen whether the appellant is treated as a woman (victim) as intended by the accused. In this case, an atmosphere threatens this occurs not because of factors performer shows his power or right to control the victim, but rather a disruption of an indecent and victim really disturbed as a result of the disorder.

1.3 Problem Statement

Sexual harassment in the workplace is not a new phenomenon. According to Fitzgerald (1993), everyone in two people working women will be victims of sexual harassment. The researcher suggests that sexual harassment is escalating social problems today. This problem began to be addressed when in 1974; a

group of domestic workers in New York makes a notice in the New York Weekly Journal. The objectives are to combat sexual harassment of their host. The assertion is "we think it is reasonable we should not be circumvented by our mistresses' husbands. Perhaps they are being too strong and tender women may do mischief"(Fitzgerld, 1993:1070). When mentioning about sexual harassment in the workplace, every person's eyes are able to be imagined that female employee is the victim and the perpetrator is male. However, it's cannot be denied by everyone because Dato 'Lee Lam Thye, he had written in the magazine by Culture Hall (1999), quoting a source from the Ministry of Human Resources, that in the three years before, 110 cases of sexual harassment were reported to involve senior men as perpetrators.

Why can the occurrence of sexual harassment? Why women become victim and the perpetrator does is male? According to Clark (1991), the women's movement, the sexual revolution and the role of birth control pills are among the factors that found to be significant toward contributors in the evolution of social problems. However, the researchers also concluded that increasing the number of women working in the industry of employment is a major contributing factor to the increase in sexual harassment behavior (Clark, 1991). In fact, there are some women who hold positions over the years been overshadowed by male workers, indirectly increasing the amount of sexual harassment and gender discrimination in the workplace (Clark, 1991)? Most of the men are perpetrator because they believed that they are dominant therefore most of the women are considered by them as victims because women are weak. A working woman increasingly vulnerable as victims of sexual harassment if they found women workers are going to compete with male actors.

In most cases, the man cannot accept a woman as its competitors and rank equally with them (Farley, 1978). It can be concluded that the occurrence of acts of sexual harassment in the workplace is related to the work with employment opportunities provided to women. Increase the number of women employed in the industry has been demanding jobs and employment status of male workers. Indirectly, some male workers are willing to practice the behaviors of sexual harassment as a way to demean women workers. There are other factors that lead to sexual harassment. However, these agents are associated with the victim's own self. Women classified as a sexy (Fiske and Glick, 1995) and they are more likely to be victims of sexual harassment. Parenthetically, women workers who are single or widowed easily fall to sexual harassment (Young, 2001). Based on a study by Sabitha (1999), most case reports of sexual harassment occur due to the ambiguity in the interpretation of sexual harassment itself. This is only related to knowledge not even contributing to self-perception or perception victim. Due to the ambiguity of the significance of sexual harassment, the individual interprets it according to their own judgment. Hence, there are different perceptions and perceptions of each victim in the constitution. Actually, this is what eventually led to the continuous act of sexual harassment in the workplace.

Following the above discussion, we can conclude that there are many questions that remain unanswered in relation to this concept. Hence this study was undertaken to find the answer. The main question of this study is what the factors themselves are? The kind of personality that belonged to victims and perpetrators of sexual harassment and what is the regulations act was taken to solve this problem? In addition, this study has the purpose to identify the side of the forms of sexual behavior disorders, most often occur in the workplace; the respondents identify the level of understanding of the purpose of sexual harassment.

2. Purpose of Study

The aim of this study was to identify the personality of the victim and the perpetrator sexual harassment in the workplace, as well as the researcher to identify the behavior forms of sexual harassment often occurs in the workplace and the level of understanding of the purpose of the victim's sexual harassment. This survey was aimed to identify what are the regulations was taken to solve this problem. The results of this study will be able to produce ideas and add information to find an answer to the dismantling of sexual harassment in the workplace.

3. Objectives of Study

There are some of the objectives to be achieved through this survey: -

1. To identify demographic perpetrator and victim of sexual harassment.
2. To identify the victims' understanding of interference of sexual harassment and knowing the source of sexual harassment information.
3. To distinguish the patterns of behavior of sexual harassment often occur in the workplace.
4. To review of personality and self-esteem of victims and perpetrators about sexual harassment.

4. Significance of the Study

Sexual harassment is an issue which has become a crisis in Malaysian society concerned with moral character and high morals. Therefore, this is appropriate studies that carried out on the problems of this study. Findings from this study may increase understanding of the phenomenon. The importance attention and consideration are given to the community to ensure they can create their awareness on this issue. The results will be analyzed deeply to assure it will be utilized by many parties, including educators, counselors, industry managers, policy makers, voluntary organizations and NGOs, and so on whether to develop policies, to improve the code of practice, to find solutions and others.

5. Literature Review

Since the first reported cases of sexual harassment in 1975 in Arizona, United States, this issue was given attention by researchers (Renick, 1980). The victim was forced to tender the resignation because of feeling tormented that committed by supervisors either verbal or physical. The victim is reported that she was treated discrimination which women workers who followed the immoral behavior was promoted, and the rights of victims is sidelined for refusing to commit the immoral behavior. Empirical studies have been conducted to identify many things that associated with this concept. The findings of the study show that female workers are more often victims of sexual harassment, while the man who is the culprit (Baldrige & McLean, 1980; Jones & Remland, 1993; Terpstra & Cook, 1985). For example, Terpstra & Cook (1985) have found that 81 cases of a complaint to the Human Rights Department of the Midwestern United States, 94 percent came from women. Of these, 72 percent were women aged 30-34 years. 41 percent of was graduated from high school, while 38 percent are college graduates. Another thing is 89 percent of those earning less than \$ 19,999 a year. The results showed that all groups of women workers have the potential to be a victim of sexual harassment. The employee is likely made up of young women workers, unmarried, educated, lower income and educated with high potential for becoming a victim of sexual harassment.

Sheffey and Tindale (1992) conducted a study to examine the assumption that there are in excess of gender role - models built by Gutek and Morasch (1982). Respondents were comprised of undergraduate students, comprising 114 males and 120 females. The results indicated that in the context of the male-dominated occupations, the phenomenon of sexual harassment occur more frequently and clearly. Studies in the local environment has been implemented by the Trade Union Bayan Lepas, Penang (in Zaiton, 1990). Obtained the same results which found that 130 women factory workers interviewed Officers Union, 80 percent admitted that once experienced sexual harassment from management or superiors. This problem is more common in manufacturing and plantation sectors. The study showed that women who were victims of sexual harassment can consist of anyone, regardless of age, physical appearance, educational level and marital status. However, a group of female employees who have a high risk of becoming victims of sexual harassment are women under 30 years of age, unmarried, widow or divorcee.

The results Fiske and Glick (1995) has supported the Crow et., al (1995). Crow et., al (1995) has made a study of the impact of personality factors on sensitivity of sexual harassment and not a sexual harassment.

The analysis was conducted on 150 women in a metropolitan city in the southern United States. According to these researchers, previous research has found that personality factors have an impact on sensitivity to sexual harassment. The results of this study showed that researchers indicated the relationships between sensitivity to sexual harassment by several factors of personality. Generalizations can be made by personality factors from this study because it is likely to play a significant role in increasing the sensitivity of the barrier against sexual harassment in the workplace. Mona Amin Kalhor (2000) examined the impact of sexual harassment at work and the extent of self-esteem as a factor of dealing with and responding to sexual harassment. The survey was conducted on 204 students who are still learning and have completed their studies at the university level. The results of the research showed that those with high self-esteem would demonstrate positive characteristics about herself, has a purpose, and have good communication skills. These features reduce the worry and stress of sexual abuse. Thus the researchers concluded person with high self-esteem will take action to defend themselves with confidence to the act of sexual harassment. Donny study (2002) on the concept of sexual harassment among support staff at the Institute for Public Higher Education, found that most of the support staff possess a negative perception of the occurrence of sexual harassment in the workplace, where they are more likely to say that the conduct depicted in the questionnaire is their disruptive behavior. The survey also found that sexual harassment happens in public is not serious.

The conclusion can be drawn that the sexual harassment gives serious attention by researchers. Many studies have been conducted on many things and many discoveries have been found to have made the policy makers as a guide in formulating preventive law action. The study also has the same purpose with the previous studies. Thus the various things have become objectives to be accomplished in this field. Results later acquired the organization may make behavioral prevention policy sexual harassment from becoming an epidemic.

6. Methodology

This chapter will discuss the methods that we used to conduct this survey. The purpose of the study, a survey, a sample study, the method data collection instruments were employed in this study, and methods of analysis data are also reported in this chapter. This study aimed to distinguish their understanding of the forms of and the personality of the victim, the factors of the sexual harassment model and the perpetrator of sexual harassment. Thus the design review selected to aid the researcher in order to obtain information and detail data in order to fulfill the objectives of the survey. According to Kerlinger (1973), the method review is appropriate in carrying out the study as broad in scope. This ensures the quality of the data gathered for this method to present the truth about the issues faced. This method is also more economical in terms of cost compared with the experimental method. In addition, information obtained are more accurate (Aznan, 1995). The design of the study was selected based on their suitability to explain the phenomenon of sexual harassment that occurs in the workplace. Design surveys can be conducted on a large scale and is a form of the data collection, which was designed to predict, making the description and analyze the variables in the study. In addition, this pattern can be used to explore the beliefs, feelings, attitudes, motivation and behavior of any topic can be easily found. Through this design, data collection instruments are often used the questionnaire. According to Sekaran (1992), the collection of data through questionnaires is the best way because the data are collected only takes a short time. Only a selected respondent is required to answer a set of questionnaires containing a string of closed questions that have been enacted while requiring for collecting data in order to achieve the research objectives. Similarly, the reliability test of measurement instruments was used and methods of data analysis. Overall, this study will only be generalized to organizations focus or study only. The same questionnaire was utilized for all respondents to ensure consistency in the responses given to simplify the process of analyzing the data. The study was conducted in public universities. Samples study is comprised of university workers who have been and perpetrators of sexual harassment behavior. Therefore, in this study consists of two categories of victims and perpetrators of sexual harassment. The choice of the two subjects is based on the simple random sampling. The socio-metric method is used to determine which one has been becoming victims or perpetrators of sexual harassment. The researcher found the workers and asked to fill out a questionnaire in

advance about the phases of sexual harassment. List of sexual harassment to victims and perpetrators are separate. Any of them stated that they have been experiencing (the victim), or (for the performer) the forms of sexual harassment are set out in the list is calculated as victim or perpetrator. There are also some employees come to acknowledge ever victims of sexual harassment. After almost a month of doing search subjects, eventually a total of 50 people were identified as victims of sexual harassment behaviors and 47 as the culprit. They are designated as a subject of study and asked to fill out a second questionnaire. The questionnaire is the methods of data collection and this survey consists of five parts, namely (a) Section A: Personal Details of Respondents, (b) Section B: Understanding the significance of sexual harassment behavior, (c) Section C: The behavior of sexual harassment, (d) Section D: Personality and (e) factors of sexual harassment. The data collected were analyzed using quantitative methods. The data were analyzed with the aid of Statistical Package for Social Science (SPSS) 21.0 for Windows. All data were analyzed using the statistical descriptive because it fits with the objectives of the study that intended to make description of each concept of study. Thus, the statistical percentage, distribution, and central tendency - mean used in this study.

7. Results

Table 1: Background of the Victim and the Perpetrator

	Number		Percentage	
	Victim	Perpetrator	Victim	Perpetrator
<u>Group of Ethnic</u>				
Malay	45	38	90	80.9
Chinese	2	5	4	10.6
Indian	2	4	4	8.5
Others	1	0	2	0
<u>Marital Status</u>				
Single	27	22	44	46.8
Married	22	23	54	48.9
Divorced/Separate	1	2	2	4.3
<u>Education Level</u>				
PMR	2	7	4	14.9
SPM	17	23	34	48.9
STPM/Diploma	16	9	32	19.1
Degree/Professional certificate	2	6	24	12.8
Others	3	2	6	4.3
<u>Age</u>				

Below 24	10	11	20	23.4
25 – 30 years	20	14	40	29.8
30 – 35 years	7	12	14	25.5
36 – 40 years	13	10	26	21.3
<u>Monthly Income (RM)</u>				
Less RM 500	15	2	39	4.3
RM501 -1000	17	17	34	36.2
1,001 – 1,500	10	19	20	40.4
1,501 – 2,000	2	4	4	8.5
2,001 – 2,500	3	2	6	4.3
2,501 – 3,000	3	1	6	2.1
More than RM3000	2	2	4	4.3
<u>Race</u>				
Muslim	45	38	90	80.9
Buddhist	1	4	2	8.5
Hindus	1	4	2	8.5
Cristian	2	1	4	2.1
Others	1	0	2	0

Table 1 reflects the distribution of study subjects according to selected features. Number of study subjects consisted of 50 persons as victims and as perpetrators of 47 people. Thus the total number of study subjects was 97 people. One of the characteristics of the subject studies not included in the table is gender. From the data, it was found all (100 percent), victims of sexual harassment are women, while the perpetrator is male. What could be inferred about the distribution of study is age and the most available young workers are targets as victims, as well as the culprit. The victim age range is between 21 years to 40 years. The average victim (60 percent) and offenders (53.2 percent) is comprised of people aged less than 30 years. The distribution of women workers who are victims of sexual harassment at the age of 36-40 years of 26 percent. The dispersion of the perpetrators of sexual harassment at the age of 36-40 years is 21.3 percent, just 14 percent of victims and perpetrators of sexual harassment, 25.5 percent aged between 20 and 35 years. Examining the feature race have found most of the victims (90 percent) of sexual harassment and the perpetrator (80.9 percent) are Malays. For the Chinese, Indians and others only 10 percent of victims and 19.1 percent only as the culprit. A similar number also reflects the characteristics of victims and perpetrators in the Muslim factor. Victims and perpetrators of Hindus and Buddhists are 4 percent and 8.5 percent. Only 4 percent and 2.1 percent is Christian victims and perpetrators. The study also indicates the status of victims and perpetrators of sexual harassment are those who are single and married. This can be seen in the percentage of both victims and perpetrators of the status of this sexual harassment. Table 1 showed 54 percent of the victims are still single, 44 percent had married and only 2 percent in those with the status of a widower / widow. For the performer was 48.9 percent of whom are unmarried, 46.8 percent are married and 4.3 percent are those who are widower / widow. Looking at the characteristics of education, it seems that most public victims (34 percent) and offenders (48.9 percent), sexual harassment are they who keep the Certificate of Education Malaysia. Those who hold a Malaysian Higher School Certificate and Diploma are, the second is the sum of 32 percent and more (victims) and 19.1 percent (performer). Another victim was a bachelor degree (24 percent), Certificate of Primary Education (4 percent), and other (6 percent). For a performer who holds a degree is 12.8 percent, the LCE is 14.9 percent and the other is 4.3 percent. Another feature observed in this study to distinguish between victim and the perpetrator is income. This is intended to ascertain whether they prey on low income and those players are among high income, or vice versa. Distribution of factor income victims and perpetrators is approximately RM 500 to over RM 3000. As

detailed by category based on the range of RM 500 each category found 39 percent of their income is less than RM 500, RM 501 – RM 1000 (34 percent), RM 1501 to RM 2000 (4 percent), RM 2001 to RM 2500 (6 percent), RM 2501- RM 3000 (6 percent) and more than RM 3000 (4 percent). For offenders who are earning below RM 500 (4.3 percent), RM 501- RM 1000 (36.2 percent), RM 1001 to RM 1500 (40.4 percent), RM 1501 to RM 2000 (8.5 percent), RM 2001 to RM 2500 (4.3 percent), RM 2501 - 3000 (21 percent) and more than RM 3000 (4.3 percent). The results obtained showed the most amount of victims are among those earning less than RM 1500 per month, while the perpetrator nor are those earning between RM 500- RM 2000

Table 2: Sources of Information on Sexual Harassment

Sources	Perpetrator		Victim	
	Yes (%)	No (%)	Yes (%)	No (%)
Magazine / Newspaper	79	21	84	16
Seminars / courses	15	85	12	88
Internet	28	70	28	72
Friend	38	62	44	56
TV program / radio	66	34	58	42
Difficult to get sexual harassment information	13	87	22	78

Table 2 displays the results of sexual harassment information sources frequently received by the perpetrator and the victim. The results obtained show the perpetrators (79 percent) and the victim (84 percent) regularly receive information about sexual harassment from magazines and newspapers. Television and radio programs are largely secondary sources of information about sexual harassment perpetrators (66 percent) and the victim (58 percent). Courses, seminars, internet, and a friend found less information about whether sexual harassment victims and even the perpetrators. The respondents who received information about sexual harassment from a course or seminar is 15 percent (the perpetrator) and 12 percent (the victim), the Internet 28 percent (the perpetrator) and 28 percent (the victim), and a friend 38 percent (the perpetrator) and 44 percent (the victim). Based on the results obtained either printed media (magazines and newspapers) and electronically (television and radio) are an information resource challenge of sexual harassment to the perpetrator and the victim.

Table 3 displays the personality of the victim of sexual harassment. Results indicated that most of the victims have the kind of personality of low grades. Personality types that include autonomy (63 percent, mean = 3.22 SD = 2.10), independent (59 percent, Min = 3:24, SD = 2.00), extrovert (41 percent, mean = 5.00, SD = 5:51), control (65 percent, mean = 6, SD = 3), assists (75 percent, mean = 3.0, SD = 2.1), structure (82 percent, mean = 2.5, SD = 2.1), and performance (65 percent, mean = 3.2, SD = 2.1). There are some personality victims of sexual harassment in this study are moderate level. Personalities include aggressive (57 percent, mean = 4.0, SD = 1.9), analytical (45 percent, mean = 4.0, SD = 2.6), intellectual (45 percent, mean = 5.4, SD = 2.6), introvert (55 percent, mean = 4.6, SD = 2.3), multiple (49 percent, min = 4:58, SD = 2:20), durability (43 percent, mean = 2.90, SD = 2:31), and support (49 percent, min = 4:26, SD = 2:12). Although there is not a personality trait victim are at high level. But there are two personality traits that are considered high levels of learning (39 percent, mean 2.90, SD = 2:31) and intellectual (55 percent, Min = 5:40, SD = 2.60). This table also explains the self-esteem of the victim. Results showed self-esteem is the victim of sexual harassment at the medium level (76 percent). Mean self-esteem prey is at 33.1 points and standard deviation is 4.2. Based on the results obtained it can be concluded that the overall assessment of the victim herself is at a moderate level of positive points (high level) to negative points (low level). Moreover, Table 3 also displays the personality of the perpetrator of sexual harassment. The results showed that many offenders have personality types at a moderate level. Includes analytical personality type (47 percent, mean = 6:2, SD = 2.6), independent (47 percent, mean = 6:3, SD = 2.0), extrovert (45 percent, mean = 6:4, SD = 5:5),

intellectual (55 percent, mean = 5.7, SD = 2.6), introverted (57 percent, mean = 5.4, SD = 2.3), miscellaneous (49 percent, mean = 6.0, SD = 2.2), stress (43 percent, mean = 6.9, SD = 2.3), self-critical (57 percent, mean = 8.1, SD = 1.8), control (51 percent, mean = 5.4, SD = 2.5), and support (60 percent, mean = 5.6, SD = 2.1). There are four personality types perpetrators at a high level of autonomy (45 percent, mean = 6.8, SD = 2.1), assists 62 percent, min = 6.4, SD = 2.1), structures (62 percent, mean = 6.7, SD = 2.1), and achievement (57 percent, mean = 7.1, SD = 2.1). The results also show that there is only one perpetrator 's personality is at low overall aggressive (100 percent, mean = 6.12, SD = 1.86). It also explains the self-esteem of the perpetrator. The results obtained show self-esteem is the perpetrator of sexual harassment at a low level (40 percent) than moderate (38 percent) and high (21 percent). Mean self-esteem prey at 36.81 points and the standard deviation is 3.6. Based on the results obtained it can be concluded that the overall assessment of the performer himself is at a low level. In other words, the perpetrator of sexual harassment does not feel comfortable with themselves most of the time, often less confident and less self-worth.

8. Implication (Policy and Practice) The rules of addressing sexual harassment in the workplace

Sexual harassment can be addressed by implementing the regulations of sexual harassment in the workplace. In the workplace, the company has cited the regulations of sexual harassment. For example, University Utara Malaysia in 2003. This regulation comes into the brush on the date fixed by the Board. In this regulation, the Board provides different meanings for each component: (a) sexual harassment is any behaviour of a sexual nature and unwanted as a disorder affecting whether verbal, non-verbal, visual, psychological or physical on reasonable grounds, be perceived by the receiver (victim) as a condition of a sexual nature on employment or is on reasonable grounds, be perceived by the receiver (victim) as a violation of the dignity or humiliation or threats against him, but no direct link to his work, (b) board means the Board of Directors of University Utara Malaysia, (c) victim means a person who receives sexual harassment either a male harassment on women, men on men, women on women or women over men and (d) university means University Utara Malaysia. An officer cannot perform the sexual harassment toward another person that attempt to approach the person to behave sexually, or demands for sexual favors from the person or utters any word, makes noise or signal or indicate any article or photo, so that the word or sound is heard or signal or object or image is viewed by a person or interfere with one's humility and feelings.

The victims should be responsible by making a complaint about any sort of sexual harassment on the dot as practicable to the Head of the Department or any officer of the department. Parenthetically, each complaint is to be made and shall contain the following items: (1) the name, designation and place of duty (the officer complained of), (2) evidence of misconduct / complaint, among other things, must contain the sequence of events, if applicable such as date or time, the happening place, forms of harassment and the sequence of events or incidents, if applicable, (3) evidence in the form of documents or other information relating and (4) the name and place of duty of the complainant (victim). As a result, head of the department upon receipt of a complaint shall be responsible for: (i) receive complaints about sexual harassment by any officer then complaints shall be classified as confidential; (ii) official record of all complaints received; (iii) conduct an investigation to confirm whether the matter reported is justified or not; (iv) report the results of their investigation of sexual harassment to the Disciplinary Committee and (v) keep a record of all complaints received, the latest of the complaint and follow-up required. As a final point, a person who is guilty of committing a sexual harassment can be any of one or a combination of any or more of the following penalties are specified to resolve this problem such as warning and disciplinary penalties in accordance with Act 605 (Act Statutory Bodies Tattertib and Surcharges, 2000).

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Impact and Response of Asian Economic Crisis and Global Imbalances of Emerging Market Economies

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Abstract

This paper aims to examine and describe the impact and response of Asian debt crisis and global imbalances particularly of emerging market economies. It is necessary to explain the related backgrounds to address the objective. These backgrounds consist of Asian debt crisis, current global imbalances situation and importance of emerging market driven economies. The content of impact and response of Asian debt crisis and global imbalances of emerging market economies will be also discussed. Furthermore, the effective policy implementation is suggested to tackle the problems. In addition, the perforation and role of regional economic integration especially in the ASEAN region as ASEAN Economic Community (AEC) will be included. This is possible instrument to develop the economic integration level of this region to be deep economic integration as single market to decrease the global economy imbalances and accelerate mutual benefits.

Keywords: Asian Economic Crisis; Global Imbalances and Emerging Market Economies

1. Introduction

Economic and financial crisis attacked the Asian region starting from Thailand in 1997. Many countries in this region had been domino affected by the crisis. Balance of payment twin deficit from both balance of trade and capital balance contributed to the massive loss of international reserves. The regional currencies had also been speculated and then led to the over devalue of these currencies particularly for Thai baht. Thailand has also been affected by the non-performing loan (NPL) of bank and non-bank financial institutions and over supply of real estates are other essential factors contributed to the crisis. NPL created by financial institutions from the advantage of the cost of borrowing differentiation between on shore and off shore. This economic situation in Thailand can be called the bubble economy. This chapter reviews and investigates the impact and responses of Asian debt crisis. It also explains about the global imbalances of emerging market economies that can be considered as one important of the crisis.

2. Causes and consequences of Asian debt crisis

Many factors can be considered as the causes of Asian debt crisis. Most of Asian countries' currency have overvalued during the 1990s because of the emerging market economies boom in the region. The obvious examples of these economies are China and India. In addition, the financial and capital flow restriction has been changed to be more liberalized. As a result, the financial institutions gained an advantage of outsource capital and fund borrowing because of the very different rate of interest as well as the deregulation concerning to this. The mismatch of credit allocation is another issue to be addressed to this crisis.

There were different and various causes led to the financial instability especially in Asia during the past two decades. These causes had been addressed to both policy makers and market participants. These causes can be explained as follows (Ellis, 2009).

1. Boom –Bust Cycle
2. Financial Sector Instability
3. Credit-fuelled Booming

The economic growth and structural changes has been emerged particularly for the past two decades. This growth can be regarded as miracle growth because of the spectacular growth performance characteristics. Many perspectives can explain this experience as follows. These aspects can be divided into two factors as primary and secondary factors. The miracle growth also associated with the economic policy implementation as well as the changing of trade policy and the attraction of massive foreign direct investment in the industrialized export production.

All Southeast Asian economies grew very rapidly especially in the 1990s. The export performance had been growth over the expectation. The large amount of capital inflows injected to portfolio investment contributed to the stock market booming. Consequently, the money supply expansion motivated the massive lending growth under the fixed exchange rate system. Therefore, the bank credit allocation in proportion of GDP increased dramatically. Furthermore, both the inflation and short term foreign currency debt began continue to increase led to the loss of liquidity of financial institutions. Bank of Thailand also spent huge of reserves to protect the speculation in order to maintain the Thai baht's value stabilization. These factors caused the financial sector weakness because of the foreign debt, NPL from bank lending and over price asset bubble.

Other factors can be contributed to the Asian financial crisis are as follows.

1. Ineffective quality of fund management system
2. Ineffective capital inflows stabilization
3. Foreign banks entry restriction
4. Higher cost of financial services and NPL

The financial liberalization is an additional factor used to explain the cause of Asian financial crisis. Financial liberalization is defined as the restriction elimination of financial repression. The examples measurement of financial liberalization include lower reserve requirement and allow the interest rate to response the market forces. In the late 1990s, the financial liberalization started to implement in the NIEs and South East Asia. The regulations had been more relaxed from the intense competition and large direct credit allocation distributed to the non-profit performing sectors particularly for the real estate and portfolio investment. There are three essential components combined to address the Asian financial crisis. These components were banking sector, stock market booming and bubble economy. As a consequence, the many efficient policies had been implemented to strengthen the weakness of financial sector.

3. Global economy imbalances circumstance

Global economy imbalances have been currently happened between developed and developing countries. These imbalances can be described from various economic development gap aspects. The global financial weakening and instability is one essential factor distributed to global financial crisis. This circumstance has currently originated from the US that has affected credit markets and financial system in other countries very rapidly. There are eight transmission channels that can be described as follows (Sheehan, 2009).

1. Financial Market Conditions
2. Real Activity in the Impact Industries
3. Expectations
4. Export Shocks-The Impact Industries
5. Export-Other Industries
6. Wealth and Profitability Effects

7. Resources and the terms of trade effects
8. Reduction in Capital Flows, FDI and Foreign Aid

4. Importance of emerging market economies and impact of economic crisis and global imbalance

The important of emerging market economies has been increased in the present. The World Bank categorized the classification of countries into the newly industrialized economies consist of Singapore, Hong Kong, Taiwan, Korea, Indonesia, Malaysia, Thailand and China. These countries have common characteristic as the dominated of Asian growth attribute to continue and sustain rapid growth. Saving rate and huge amount of investing increased rapidly in many Asian countries during that time. These Asian economies can also be regarded as emerging market economies.

Four main issues have been analyzed in this section as follows.

1. The Impact of the Global Economic Crisis on China
2. The response of China to the Crisis
3. Domestically and Internationally Emerging from the Crisis of China
4. The Possibility of China turns to the Challenging Again

Many Asian countries had been affected from the global economic storm, debt crisis and intense global imbalance economies. One of these affected countries is the world third-largest economy and second-largest trading nation, massive outbound invest, important destination of the FDI and the largest foreign reserves holder. This country is apparently China. China has implemented many economic policies to respond and tackle the crisis. These policies can be considered as the new effective ways for other Asian developing countries to be adapted. Most important policy is the high ability of transforming crisis to economic opportunity via maintaining the sustainable development and growth as well as alleviating risks of the social and political instability (English, 2009).

It is necessary to explain the China's structure of economy prior to describe the impact of recent global economic crisis on China's economy. It can be affirmed that the economic development during the post of 1979 until the present has been in transition period. The intensive post-Mao economic reform has been resulted in the obvious economic growth used as key engine of development. These economic policy reform packages include stimulation of massive local innovation which led to the economic growth although these policy reforms has been decided and made decision by the central government.

The above economic development can be considered as decadal cycles (English, 2009). The early stage of development started from the 1980s prioritized by the rural reform and development that led to both continued price increasing and inflation before slowed down by the later efficient macroeconomic policies implementation. The market liberalization have been adopt since 1990s until present despite the foreign direct investment slowdown from the East Asia economic crisis contributed to the decreasing of the export. Both the intensive urbanisation development and service industries growth stimulation have also implemented during the last decade. These stimulus policies are essential and effective engine to drive the China's economy reach the sustainable economic development target.

Nevertheless, the economy of China has been affected from the economic crisis resulting in the lower GDP's growth. These impacts can be explained as follows.

- 1) Banking Sector and Investment
- 2) Trade

In spite of the effects from the crisis, the China's economy has remained continued growth as target in 2009 and 2010. The intensive and efficient economic reform during past two decades contributed to tackle the challenges. Many mega infrastructure investments increased sharply between 2007 and 2008 especially in the property market and stock market bubble accompanied by high inflation. It was necessary to slowdown the economy. As a result, different measures had been used such as lending quota, interest rate and reserve requirement increasing and tightening the lending contribute to property investors.

The stimulus economy package had been injected via various strategies to achieve the target (English, 2009). This stimulus plan has four ultimate goals of rebalancing the economy, efficiency, social balancing and stability. These goals need to effective transmission instruments that can be described as follows.

- 1) Rebalancing the economy by determining long-term growth via increasing domestic consumption as well as slowdown the exports.
- 2) Efficiency by restructuring the high potential industries to reach more productivity.
- 3) Social balancing led by strengthening and expanding social welfare and employment to decrease high unemployment.
- 4) Stability by continuing implement the above strategies to maintain economic reform and long-term sustainable development.

Besides that, the monetary measures were included in stimulus package by using accelerate spending and more flexible monetary policy. The examples were alleviation of prior bank loans quota, more incentive to banks for increased lending, decreasing the reserve requirement, lowering the interest rate and enforcing laws and regulations led to the private lending market legal. Furthermore, the other policies of social welfare improvement, intensive rural development, enormous infrastructure investment and export industrial competitiveness stimulation have also been implemented during the past three decades until present.

7. Enhancement benefits policies

This section discusses the enhancement of additional benefits policies for Asian countries to insulate the possible financial and economic crises emerge. Many following different policies have to be considered to adapt in different and individual country's economic environment.

The policy makers have currently proposed and debated about the efficient policies to assure the benefits particularly for solving and protect the economic and financial crises re-emerge. Government and central banks play an important role to implement macroeconomic policies including fiscal and monetary policies. One essential condition is to restructuring the regional and global financial system to be recovered and strengthened. The effective reform policies need to be focused.

Many procedures are crucial to restore the financial system particularly for banking system of the affected countries that mostly are in Asia. The examples of these procedures were substantial technical supporting to financial institutions and markets as follows (Ellis, 2009).

- 1) Debt Insurance Guarantee
- 2) Bank Capitals Injection
- 3) Balance Sheet Risk Reducing

The decreasing of balance sheet risk can be undertaken by many channels. The assets outright can be purchased and placed in an entity of banks separately by government or central bank. In addition, the assets on bank's balance sheet can also be assured to protect losses and the additional funding can be invested to buy the assets. These approaches have to be considered carefully to implement in term of the effectiveness. Many countries used most of these solutions has been used during the last decade.

The financial system still weak and fragile although the above solutions have been intensive implemented. The money and capital markets have remained ineffective and high risk. Only equity markets show gradual recovery.

The regional and countries' financial architecture need to be massive reformed to prevent the re-occurring of the crisis. Regulations deal with the credit rating agencies and banks' liquidity and capital subject to be adjusted.

Central banks and policy makers in the region should enhance the cooperation policies to insulate their economy from the crisis despite the time consuming for different policies. The regional and global financial systems have to be transformed to the period of change. The high price of risk is one obvious factor lead to the financial crisis. The credit conditions have to adopt because of the changing circumstances e.g. the tightening credit allocation standards by financial institutions that is possibly result in asset acquisition decreasing. Additionally, the speed of banks' balance sheet adjustment, the confident restoring, the increasing of liquidity and decreasing of non-performing loans (NPLs) are other crucial conditions to be considered.

8. Roles and importance of regional economic integration

This section analyses the roles and importance of regional economic integration. Regional economic integration has been proliferated in many regions including Asia. It has an importance as first those countries in the same region develop the agreements to expand the economic cooperation not only for trade and investment liberalization but also to enhance the effective alleviation economic and financial crises polices. The free trade agreements (FTAs) can be used as possible measure to deal with this issue.

The current important example of regional economic integration is ASEAN. ASEAN has increases an important role in terms of not only regional trade and investment liberalization but also the expanding of other and deeper economic integration to be the ASEAN Economic Community (AEC) by the end of 2015 (Wattanakul, 2010). The ultimate goals of AEC are to be single market in order to create the efficient production hub and network. Furthermore, the service sector liberalization is also the additional important target of AEC.

Bilateral free trade agreements (FTAs) are an essential step that can be led to the building blocks for the comprehensive regional economic cooperation and plurilateral economic integration later. Many countries in ASEAN currently particularly for Thailand has enthusiastic negotiated and implemented the bilateral FTAs. Thailand has signed and implemented the bilateral FTAs with the countries both inside and outside the region.

Moreover, the enlarged ASEAN has been progressed because of the major East Asian countries of China, Japan and South Korea has very interested to be part of AEC as the ASEAN+3 (Wattanakul, 2010). This progress will be benefit to all partners lead to the more negotiation power under the WTO **and other mutual benefits**. Another enlarged ASEAN negotiation and progress in the present is ASEAN+6. ASEAN+6 consist of ten ASEAN members and China, Japan, South Korea, Australia, New Zealand and India. All mentioned East Asia economies are very important for regional economy's growth because of the massive foreign direct investment (FDI) in export manufacturing in ASEAN host countries. In addition, China is also the largest international reserves holders in the global economy as well as the Chinese Yuan is very powerful currency.

9. Conclusion

Many countries in Asia have been affected by the financial and economic crisis during the past two decades although these countries have experienced continued economic growth. One of the key Asia's economies is China. Others countries especially in the ASEAN region have also affected considerably. This situation and challenge caused the global economy imbalances. Global economy imbalances have led to different consequences under different economies. Therefore, these affected countries need to implement effective economic policies to response and solve the challenges.

The regional economic integration is one possible channel that can be applied to use as the solution. Consequently, the bilateral FTAs have developed both inside and outside the region. The enlarged ASEAN in terms of ASEAN+3 and ASEAN+6 is the opportunity to expand the economic collaboration to alleviate the adverse impacts and prevent the re-emerge of the crisis including the other economic collaboration. The current obvious example of this proposes is AEC that the ultimate goal as single market targeted by the end of 2015. Nevertheless, the plausible mutual benefits from the single AEC market need to be investigated by further studies.

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Stock prices volatility and exchange rates volatility: Empirical evidence based on Malaysian data

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Abstract

Although the theoretical literature suggests an existence of relationship between stock prices and exchange rates, but empirically there is a strong disagreement on the direction of causal relationship between stock prices and exchange rates. Therefore, this paper aims to provide empirical evidences on the causality relationship between the volatility of stock prices and the volatility of exchange rates based on Malaysia data. There are four exchange rates studied in this paper: RM/USD (Ringgit Malaysia per unit of United States Dollar), RM/JPY (Ringgit Malaysia per unit of Japanese Yen), RM/GBP (Ringgit Malaysia per unit of Great Britain Pound), and RM/EURO (Ringgit Malaysia per unit EURO dollar). In this paper, the volatility of stock prices (FBMKLCI) and exchange rates have been estimated using GARCH model and the causality tests were carried out in the framework of vector error correction model (VECM). This study found mixed results on the direction of causality between the volatility of exchange rates and the volatility of stock markets both in long-run or short-run. In general, the test results support the presence of long-run causality running from all exchange rates studied to the volatility of stock prices in Malaysia, but not vice versa. Meanwhile, in the case of short-run causality, only the volatility in GBP could causes the volatility in stock prices.

Keywords: Stock Prices, Exchange Rates, Volatility, Causality, Malaysia

1. Introduction

Stock prices and exchange rates are two important financial variables that play crucial roles in influencing the development of a country's economy. Due to this reason, the dynamic relationship between stock prices and exchange rate has been studied extensively by researchers. Theoretically, the casual relationship between stock prices and exchange rates could be explained by two main approaches. First, the traditional approach that assumes firms' exchange rate exposure affects firms' value via changes in competitiveness level and firms' assets value dominated in foreign liability (Dornbusch and Fisher, 1980). From competitiveness point of view, the appreciation of exchange rate could negatively affect exporters' sales; reduce firms' earning and subsequently their stock prices. On the other hand, a depreciation of the exchange rate makes exporting goods attractive, increases foreign demand, hence revenue for the firm and its value appreciates. Second, the portfolio approach that postulates changes in stock prices influence exchange rate movements through portfolio adjustment (Frankel, 1983). This approach suggests that increases in stock prices will attract investors, hence increase the demand for domestic assets and currency. In other words, foreign capital inflow increases if there is an upward trend in the stock prices, while a decrease in stock prices could lead to capital outflow and consequently currency depreciation.

Although the theoretical literature suggests an existence of causal relationship between stock prices and exchange rates, but at empirical level, there is a strong disagreement on the direction of the relationship between these two variables, as well as the existence of this relationship. Empirical results on the relationship between these two financial variables are somewhat mixed. Some empirical studies failed to find a significant relationship between stock prices and exchange rates. For example, Jorion (1990), and Bartov and Bodnar (1994) failed to find a significant contemporaneous relationship between U.S dollar movements and stock returns for U.S firms. Similarly, Griffin and Stulz (2001) also find that weekly exchange rate shocks have a negligible impact on the performance of industries for six industrialized countries. A study by Bahmani-Oskooee and Sohrabian (1992) was the first used cointegration approach to test the direction of causality between stock prices and exchange rates. They found that there is no long-run equilibrium relationship between these two financial variables but found bidirectional causality.

A study by Nieh and Lee (2001) also found no long-run significant relationship between stock prices and exchange rates in the G-7 countries. Similar finding could also be found in studies by Granger et al. (2000), Smyth and Nandha (2003) in the case of India and Sri Lanka, and Kollias et al. (2010) for euro-dollar and two European indices.

In contrast, Pan et al. (2007) found a significant causal relation running from exchange rates to stock prices for Hong Kong, Japan, Malaysia and Thailand. In addition, they also found that equity market causes the foreign exchange market in the case of Hong Kong, Korea, and Singapore. Study by Abdalla and Murinde (1997) has examined the relationship between stock prices and exchange rates for India, Korea, Pakistan and Philippine. They found a unidirectional causality running from exchange rates to stock prices. Meanwhile, Wu (2000) found that Singapore-dollar exchange rates cause stock prices. On top of this, he also discovers that the explanatory power of exchange rates on stock price has increased over time. In the case of Malaysia, Mohamad and Mahmood (2001) found that contemporaneous squared returns and absolute returns in exchange rates are able to explain stock returns volatility but not vice versa.

More recently, study by Fowowe (2015) for the two largest economies in Sub-Sahara Africa showed that causality runs from exchange rates to domestic stock prices in Nigeria while in South Africa, no causality exists between domestic stock prices and exchange rates. In the study by Diamandis and Drakos (2011), exchange rates lead stock prices in Argentina and Brazil, but in Mexico, stock prices lead exchange rates. Meanwhile, in Chile, there is a feedback effect. Empirical study by Lin (2012) found that causality runs from stock prices to the exchange rate in two countries (Phillipines and Thailand), a feedback effect in three countries (India, Indonesia, and Korea), and no relationship in Taiwan.

Several empirical studies have examined the causality between stock prices and exchange rates, but only few focuses on the causality relationship between the volatility of these two financial variables, particularly in the case of emerging market such as Malaysia. Therefore, this paper aims to provide empirical evidences on the causality relationship between the volatility of stock prices and the volatility of exchange rates in Malaysia. In this paper, the relationship between the volatility of stock prices and exchange rates will be examined using econometric techniques, namely cointegration analysis and causality tests, based on vector error correction model framework. These are common techniques used in many empirical studies investigating the dynamic relationship between finance and economic variables. However, in line with the current approach in studying volatility, in this paper, the volatility of stock prices and exchange rates will be estimated using GARCH model. This paper is organized into four sections: next section presents data sources and methodological framework; Section 3 presents empirical findings from related tests and followed by Section 4, which presents the discussion and concluding remarks.

2. Methodology

This paper investigates the dynamic relationship between the volatility of stock prices in Malaysia and the volatility of the exchange rates of Malaysian currency (Malaysia Ringgit, RM). There are four exchange rates studied in this paper: RM/USD (Ringgit Malaysia per unit of United States Dollar), RM/JPY (Ringgit Malaysia per unit of Japanese Yen), RM/GBP (Ringgit Malaysia per unit of Great Britain Pound), and RM/EURO (Ringgit Malaysia per unit EURO dollar). The currencies were selected due to the fact that these are the major exchange rates to the Malaysia Ringgit (RM). Meanwhile, data for stock prices are represented by the FTSE Bursa Malaysia Kuala Lumpur Composite Index, also called FBMKLCI. The index is a capitalization-weighted stock market index, composed of the 30 largest companies on the Bursa Malaysia by capitalizations. Data for all variables are daily observations from 1st May 2000 to 21st April 2015, making a total of 3,907 observations. Data were gathered from DataStream's database. In the estimation process, all data are transformed into logarithm, and estimated using statistical software eView.

In this paper, the conditional volatility of the series is measured using GARCH models that were introduced by Bollerslev (1986). GARCH models have been used in many empirical studies for measuring volatility because of its ability to capture both volatility clustering and unconditional return distribution with heavy tails. This paper will arbitrarily use AR(1)-GARCH(1,1) models to estimate the predicted volatility of the series. Several literatures show that a simple GARCH model generally gives significant results (for example, study by Akgiray (1989); Bera and Higgins (1993); Floros (2008). In general, the GARCH model can be presented as follow:

$$y_t = \lambda_0 + \sum_{i=1}^k \lambda_i y_{t-i} + \varepsilon_t \quad ; \quad \varepsilon_t \sim N(0, \sigma_t^2) \quad (1)$$

$$\sigma_t^2 = \vartheta + \sum_{i=1}^q \alpha_i \varepsilon_{t-i}^2 + \sum_{j=1}^p \beta_j \sigma_{t-j}^2 \quad (2)$$

Equation (1) is the conditional mean equation, which is an autoregressive process of order k , $AR(k)$. Parameter λ_0 is the constant; k is the lag length; and ε_t is the heteroskedastic error term with its conditional variance (σ_t^2). Equation (2) is the conditional variance equation specified as the GARCH(p, q) model where p is the number of ARCH terms, and q is the number of GARCH terms.

2.1 Unit Root Tests

All volatility series that estimated using GARCH model will be tested to establish their stationarity properties and to determine the order of integration of the series. In this paper, the unit root tests will be performed using the Augmented Dickey-Fuller (ADF) tests. The model used in the unit root tests includes a drift and a time trend.

$$\Delta y_t = \alpha + \varphi y_{t-1} + \gamma_t + \sum_{i=2}^p \beta_i \Delta y_{t-i+1} + \varepsilon_t \quad (3)$$

The null hypothesis for ADF test is: $H_0: \varphi=0$. In the estimation process, the optimal number of lags is determined using Akaike's Information Criterion (AIC).

2.2 Co-integration Tests

This paper applied the Johansen Multivariate Maximum Likelihood Estimation cointegration test to investigate the long-run relationship between stock prices and exchange rates volatility. Johansen (1991) introduced a multivariate approach for testing multiple co-integrating vectors. Specifically, if the system has r independent co-integrating relations, then the test for the number of characteristic roots that are not significantly different from unity is given by $\lambda_{\text{trace}}(r) = -T \sum \ln(1 - \lambda_i)$, where, λ_i is the number of estimated values of the characteristic roots and T is the number of usable observations. The Johansen trace tests for co-integration is testing for the null that there are less than or equal to h co-integrating relations ($r \leq h$) against the alternative hypothesis that there are more than h co-integrating relations ($r > h$). Meanwhile, the maximum Eigen value test statistic $\lambda_{\text{max}}(r, r+1) = -T \ln(1 - \lambda_{r+1})$ can be used to test the null that the number of co-integrating vectors is $r \leq h$ against the alternative that $r = h + 1$.

2.3 Granger Causality

In a bi-variate framework, the variable y_1 is said to Granger causes y_2 if the forecast for y_2 improves when lagged variables y_1 are included in the equation. Conventional Granger causality can be represented by the following bi-variate system.

$$y_{1t} = \delta_1 + \sum_{i=1}^m \beta_i y_{1t-i} + \sum_{i=1}^n \theta_i y_{2t-k} + \varepsilon_{2t} \quad (4)$$

$$y_{2t} = \delta_2 + \sum_{i=1}^q \pi_i y_{1t-i} + \sum_{i=1}^r \phi_i y_{2t-k} + \varepsilon_{2t} \quad (5)$$

where, δ_1 and δ_2 are drifts. The null hypothesis where y_2 does not Granger's causes y_1 is rejected if the coefficients of θ_i in Equation (4) are jointly significant. The null hypothesis that y_1 does not Granger cause y_2 is rejected if the

π s are jointly significant in Equation (5). The standard F-test will be used to determine the joint significant and the causal relationship between variables.

2.4 Vector Error Correction Model

In their paper, Engle and Granger (1987) demonstrated that once variables are co-integrated, a corresponding error-correction representation always exists. This implies that changes in the dependent variable are a function of the levels of disequilibrium in the co-integration relationship that is captured by the error-correction term, as well as changes in other explanatory variables. A consequence of co-integration is that either Δy_{1t} or Δy_{2t} or both, must be caused by the lagged error-correction term, which itself is a function of y_{1t-1} , y_{2t-1} . In general, the relationship between y_1 and y_2 can be written in vector-error correction model (VECM) form as:

$$\Delta y_{1t} = \delta_1 + \sum_{i=1}^m \gamma_{1i} \Delta y_{1t-i} + \sum_{i=1}^n \beta_{1i} \Delta y_{2t-i} + \sum_{i=1}^r \alpha_{1i} ECT_{r,t-1} + U_{1t} \quad (6)$$

$$\Delta y_{2t} = \delta_2 + \sum_{i=1}^m \gamma_{2i} \Delta y_{1t-i} + \sum_{i=1}^n \beta_{2i} \Delta y_{2t-i} + \sum_{i=1}^r \alpha_{2i} ECT_{r,t-1} + U_{2t} \quad (7)$$

where, Δ denotes the first-difference of a non-stationary variable. In the VECM, the sources of causation can be exposed through the statistical significance of three different tests. First, from a joint test that is applied to the sum of the lags of each explanatory variable. Second, by a t-test on the lagged error correction term (ECT), this is a weak exogeneity test. And third, by a joint test that is applied to the sum of each explanatory variable and the lagged error correction terms (the strong exogeneity test). It is necessary to address the issue of long run and short-run causality implicit in the error correction models represented by Equations (6) and Equation (7). As suggested by Granger (1986), the VECM approach should lead to better short-run prediction and integrate the short-run variations with the long-run equilibrium. In this regard, some researchers suggested that the lagged changes in the independent variable represent the short-run causal impact while the ECT term indicates the long-run causality. In the estimation process, the lag lengths are particularly important as it could significantly alter the result. In all estimations, the Akaike Information Criteria (AIC) is used to determine the optimal lag length.

3.0 Findings

Table 1 presents the results from the ADF's unit root test of all volatility series studied that have been estimated using AR(1)-GARCH(1,1). The test results show that all series are stationary at level. The test results also indicate that all volatility series are integrated of order 0, I(0).

Table 1: ADF's test results from unit roots test for volatility series at level

Volatility Series	Critical Value (5%)	t-statistics	Prob.
VS	-3.4109	-9.5145* (9)	0.0000
VU	-3.4109	-8.6926* (9)	0.0000
VY	-3.4109	-13.3986* (3)	0.0000
VG	-3.4109	-11.4798* (10)	0.0000
VE	-3.4109	-5.1866* (1)	0.0000

*Significant at 5% level. Figure in () is lag length based on AIC. Exogenous: Constant, Linear Trend.

Results from Johansen's bi-variate cointegration test between the volatility in stock market and the volatility of the exchange rates studied are presented in Table 2. The trace statistics show that all volatility series are significant at 5 percent levels, thus rejecting the null hypothesis of no cointegration between the volatility of exchange rates studied and the volatility of Kuala Lumpur stock index. Specifically, the cointegration tests show that there are two co-integration equations between the volatility of RM/USD (VU), RM/YEN (VY), RM/GBP (VG), RM/EURO (VE) and the volatility of KLCI (VS), respectively. The findings from the cointegration tests suggest the existence of long-run equilibrium relationship between the volatility of the exchange rates studied in this paper and the volatility of stock market index in Malaysia. Based on these results, we can expect the causality relationship in at least one direction between the exchange rate volatility studied and the volatility of KLCI.

Table 2: Results from cointegration test between exchange rates volatility and KLCI's volatility

Series	Null Hypothesis	Trace Statistic	Critical value (0.05)	Conclusion
VU	None*	182.468	15.495	2 cointegration equations
	At most 1*	61.556	3.841	
VY	None*	300.398	15.495	2 cointegration equations
	At most 1*	107.896	3.841	
VG	None*	604.402	15.495	2 cointegration equations
	At most 1*	117.752	3.841	
VE	None*	166.884	15.495	2 cointegration equations
	At most 1*	26.462	3.841	

*Significant at 5% levels

Since all exchange rates volatility and the volatility of stock index are cointegrated, this study used a vector error correction model (VECM) to test the causality between the volatility of the variables studied. In the estimation, a t-test is used to test the significance of the error correction term (ECT) that examine the existence of long run causality between the exchange rates volatility and KLCI's volatility. Meanwhile, the chi-square statistics of Wald restriction tests is used to examine the presence of short-run causality between the volatility series. The estimation results from the VECM are presented in Table 3. This study focuses on investigating whether the volatility in the exchange rates could cause volatility in the stock price. In the other words, the analysis is to discover the short-run and long-run causality that may run from the exchange rates volatility to stock market's volatility.

Table 3: Results from bi-variate VECM estimation between KLCI volatility and Exchange Rates Volatility

DV	Chi-square statistics					ECT (t-statistics)
	VS	VU	VY	VG	VE	
(1)VS	-	1.059	-	-	-	-0.042* (-9.791)
(2)VU	3.203	-	-	-	-	-0.006* (-4.396)
(3)VS	-	-	0.908	-	-	-0.008* (-3.517)

(4)VY	5.566	-	-	-	-	0.026* (13.498)
(5)VS	-	-	-	10.267*	-	-0.002* (-2.511)
(6)VG	2.169	-	-	-	-	-0.017* (-33.451)
(7)VS	-	-	-	-	2.090	-0.054* (-10.439)
(8)VE	6.677*	-	-	-	-	0.002* (2.953)

Note: *Significant at 5% levels. In the estimation process, the optimal lag length is determined using AIC. DV is dependent variable.

The t-statistics in Table 3 show that all ECTs are significant at 5 percent levels. Specifically, with regard to the causality relationship between KLCI volatility and RM/USD volatility, the significant ECT indicates that there is a long run causality relationship running from the volatility of RM/USD to the volatility of stock market index. This study also found significant long run causality runs from KLCI's volatility to RM/USD's volatility suggesting the existence of bi-direction long-run causality between these two volatility series. In contrast, the tests failed to find support on the presence of short-run causality relationship between Malaysia's stock market volatility and the volatility of exchange rate between Ringgit and US dollar.

With regard to the causal relationship between Malaysia stock market volatility and the volatility of RM/YEN, this study found there is a long-run causality relationship runs from the RM/YEN's volatility to KLCI's volatility. Although the ECT of the regression between VYEN and VKLCI (Equation 4 in Table 3) is significant but it is positive, thus it is invalid. Subsequently, we cannot conclude the presence of long-run causality relationship from VYEN to VKLCI. Similar result can also be found in the case of VEURO (Equation 8). Therefore, in the case of the relationship between VEURO and VKLCI, a long-run causality is only from the volatility of RM/EURO to the volatility of composite index. In addition, this study also found evidences on the existence of uni-directional short-run causality from VKLCI to VEURO.

In the case of the relationship between VKLCI and VGBP, both ECT terms in Equation 7 and Equation 8 are significant and negative, thus support the existence of bi-directional causality relationship between these two variables. In other words, in the long run, the volatility of exchange rate between Ringgit and Great Britain pound could cause the volatility in stock price in Malaysia, and the volatility of VKLCI could also Granger cause VGBP. However, the chi-square statistics from Wald tests show that in the short run, only the volatility in RM/GBP could cause VKLCI but not vice versa.

4.0 Discussion and conclusion

Ability to predict the volatility in the stock prices is very important for investors in managing their investment risk. Theoretically, many factors may contribute to the volatility in stock prices, and exchange rates have been recognized as one of the significant factors. Therefore, it is very crucial for the investors to understand the dynamic relationship between these two financial variables, particularly on their lead-lag behavior or causality relationship. For example, if the volatility in exchange rates lead to the volatility in the stock prices, investors can use the volatility movements in the exchange rates to predict the volatility of stock prices.

This paper investigates empirically the relationship between the volatility of stock prices in Malaysia and the volatility of exchange rates of four major currencies; USD, YEN, GBP, and EURO. The volatility of the stock

prices and the exchange rates have been estimated using GARCH model, and the presence of bi-variate long-run equilibrium relationship between stock price's volatility and the exchange rate was tested using Johansen's cointegration test. The findings show that all volatility series of exchange rate are cointegrated with the volatility in stock price index in Malaysia. The test results indicate the existence of long-run equilibrium relationship between each exchange rate studied in this paper and the volatility of stock prices in Malaysia.

Further analysis was carried-out to test the lead-lag relationship between stock prices volatility and exchange rates volatility based on VECM framework. This is to test the presence of short- and long-run causality that may run from exchange rate to stock price volatility. The results from the analysis show that, in the short run, only the volatility of exchange rate between RM and the GBP could causes the volatility in stock prices in Malaysia. Meanwhile, the volatility in the exchange rate between RM and USD, RM and YEN, and RM and EURO would not lead to the volatility in Malaysia's stock prices in the short run. On the other hand, in the long run, volatility in all exchange rates could cause volatility in the stock prices in Malaysia.

The findings from this study show that in the long run all major exchange rate of Malaysia Ringgit could influence the volatility of Malaysia stock market. However, in the short run, only the volatility in the exchange rate between RM and GBP could causes the volatility of KLCI. These results may suggest that short-run investors could use the exchange rate of RM/GBP as an indicator to predict the volatility movement of KLCI. Interestingly, in the short-run, the volatility in KLCI could also explain the volatility movement in the exchange rate between RM and EURO, but not vice versa. Meanwhile, in the long run, all exchange rates of major currencies and RM could influence the volatility of stock prices in Malaysia. The volatility of KLCI was also found to explain the volatility in the exchange rate between RM and USD, and between RM and GBP in the long run.

In conclusion, findings from this study showed mixed results on the direction of causality between the volatility of exchange rates and the volatility of stock markets both in long-run or short-run. In all of the cases, evidence shows the presence of long-run causality running from exchange rates' volatility to the volatility of stock prices. In contrast, only in two cases, the opposite direction of long-run causality from stock market volatility to exchange rates volatility is significant. Mixed results can also be observed in the case of short-run causality, where only in one case; a significant causality that runs from the exchange rate volatility (GBP) to stock market volatility was found. Meanwhile, in the case of short-run causality running from exchange rate volatility to the volatility in stock prices, it is significant only in the case of EURO.

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